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PHILIPPINE ISLANDS

DOCUMENTS
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INTERNAL REVENUE LAWS

OF THE

PHILIPPINE ISLANDS

In Force and Effect

July 1, 1921

COMPRISING

INTERNAL REVENUE LAW—Chapter 40, Administrative Code, 1917, Sections 1420 to 1601, as amended

OFFENSES AGAINST INTERNAL REVENUE LAW—Chapter 66, Administrative Code, 1917, Sections 2714 to 2741, as amended

INTERNAL REVENUE ALLOTMENT LAW—Chapter 19, Administrative Code, 1917, Sections 484 to 497, as amended

INCOME TAX LAW—Act No. 2833, as amended

TOBACCO INSPECTION LAW—Act No. 2613, as amended

Compiled in the
Bureau of Insular Affairs
War Department

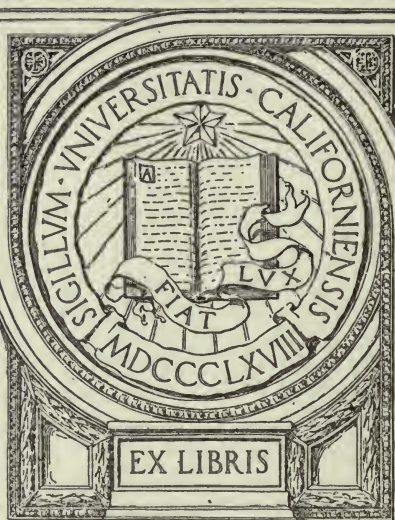


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INTERNAL REVENUE LAW.

[From Administrative Code, 1917.]

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PRELIMINARY ARTICLE.—TITLE OF CHAPTER.

SEC. 1420. *Title of chapter.*—This chapter shall be known as the Internal Revenue Law.

[2657—1575.]

ARTICLE I.—ORGANIZATION OF BUREAU.

SEC. 1421. *Chief officials of Bureau of Internal Revenue.*—The Bureau of Internal Revenue shall have one chief and one assistant chief to be known, respectively, as the collector of internal revenue and the deputy collector of internal revenue.

[2657—1576.]

SEC. 1422. *City assessor and collector of Manila.*—The collector of internal revenue shall be ex officio city assessor and collector of

Manila and as such shall collect all its municipal revenues, and shall perform in and for said city the duties imposed by this law on provincial treasurers generally.

[2657—1577.]

SEC. 1423. *Powers and duties of bureau.*—The powers and duties of the Bureau of Internal Revenue shall comprehend the collection of all internal-revenue taxes, fees, and charges, and the enforcement according to law of all forfeitures, penalties, and fines connected therewith. Said bureau shall also give effect to and administer the supervisory and police powers conferred by this chapter or other law or parts of laws within its jurisdiction.

[2657—1578.]

SEC. 1424. (As amended by act No. 2819; sec. 28, act No. 2833; and sec. 1, act No. 2835.) *Specific provisions to be contained in regulations.*—The regulations of the Bureau of Internal Revenue shall, among other things, contain provisions specifying, prescribing, or defining—

(a) The time and manner in which provincial treasurers shall canvass their provinces for the purpose of discovering persons and property liable to internal-revenue taxes, and the manner in which their lists and records of taxable persons and taxable objects shall be made and kept.

(b) The forms of labels, brands, or marks to be required on goods subject to a specific tax and the manner in which the labeling, branding, or marking shall be effected.

(c) The conditions under which and the manner in which goods intended for export, which if not exported would be subject to a specific tax, shall be labeled, branded, or marked.

(d) The conditions to be observed by revenue officers, provincial fiscals, and other officials respecting the institution and conduct of legal actions and proceedings.

(e) The manner in which persons authorized to have and keep prohibited drugs shall keep their records relating to the same.

(f) The conditions under which opium may be imported, the manner of its storage and removal for use, as well as the manner in which the same shall be marked or labeled prior to removal.

(g) The conditions under which prohibited drugs may be transferred from the possession of persons authorized to have and keep the same to the possession of other persons similarly authorized.

(h) The conditions under which goods intended for storage in bonded warehouses shall be conveyed thither, their manner of storage, and the method of keeping the entries and records in connection therewith; also the books to be kept by storekeepers and the reports

to be made by them in connection with their supervision of such houses.

(i) The conditions under which alcohol intended for use in the arts and industries may be removed and dealt in, the character and quantity of the denaturing material to be used, the manner in which the process of denaturing shall be effected, the bonds to be given, the books and records to be kept, the entries to be made therein, the reports to be made to the collector of internal revenue, and the signs to be displayed in the business or by the person for whom such denaturing is done or by whom such alcohol is dealt in.

(j) The manner in which revenue shall be collected and paid, the instrument, document, or object to which revenue stamps shall be affixed, the mode of cancellation of the same, the manner in which the proper books, records, invoices, and other papers shall be kept and entries therein made by the person subject to the tax, as well as the manner in which licenses and stamps shall be gathered up and returned after serving their purpose.

(k) (Repealed by sec. 1 of act 2819.)

(l) The conditions to be observed by revenue officers, provincial fiscals, and other officials respecting the enforcement of Article XI imposing a tax on inheritances, legacies, and other acquisitions mortis causa and such other rules and prohibition which the collector of internal revenue may consider suitable for the enforcement of the said Article XI.

(m) The manner in which income-tax returns, information, and reports shall be prepared and reported and the tax collected and paid, as well as the conditions under which evidence of payment shall be furnished the taxpayer, and the preparation and publication of income-tax statistics.

[2657—1579.]

SEC. 1425. *Forms, certificates, and appliances supplied by the collector of internal revenue.*—It shall be the duty of the collector of internal revenue, among other things, to prescribe, provide, and distribute to the proper officials the requisite licenses, cedula forms, internal-revenue stamps, and labels or tags used in sealing weights and measures, and all other forms, certificates, bonds, records, invoice books, instruments, appliances and apparatus used in administering the laws under the jurisdiction of the bureau.

[2657—1580.]

SEC. 1426. *Agents and deputies for collection of internal revenue.*—For the collection of the internal revenue on imported articles the insular collector of customs and his subordinates are constituted agents of the collector of internal revenue; and the provincial treas-

urers, their deputies, and employees shall be his deputies for the collection of other internal revenue and the enforcement of all laws within the jurisdiction of the bureau.

For economy or effectiveness in the collection of the cedula tax, the collector of internal revenue may authorize the provincial treasurer of any province to appoint, for the first four months of the year only, special deputies to collect such tax, at a rate of compensation not greater than ten centavos for each tax collected and certificate issued.

The treasurer of the Department of Mindanao and Sulu may appoint such special deputies as he may deem necessary for the collection and execution of the payment of the cedula tax in each province of the department, and pay to the persons so appointed, including persons otherwise compensated by the Government, a commission of not to exceed 10 per centum on the money collected by each, which commission shall be stated in his appointment.

[2657—1581.]

SEC. 1427. *Expenses of collection to be borne by provinces.*—The expenses incurred by the provincial and municipal authorities in collecting taxes and in enforcing the laws under the jurisdiction of the Bureau of Internal Revenue, including expenses incurred in appearing in the courts in internal-revenue cases, shall be borne by the respective provinces; but the city of Manila shall be liable only for such expenses as are incident to the collection of internal-revenue and other taxes in and for that city, and for such expenses the Insular Government shall be reimbursed.

[2657—1582.]

SEC. 1428. *Internal-revenue inspection districts.*—With the approval of the department head, the collector of internal revenue shall divide the Philippine Islands into such number of inspection districts as may from time to time be required for administrative purposes. Each of these districts shall be in charge of an internal-revenue agent.

[2657—1583.]

SEC. 1429. *Duties of internal-revenue agents.*—It shall be the duty of every internal-revenue agent to see that all laws and regulations relative to the collection of internal-revenue taxes are faithfully executed and complied with, to aid in the prevention, detection, and punishment of any frauds or delinquencies in connection therewith, and to examine into the efficiency of all officers and employees of the Bureau of Internal Revenue. He shall report in writing to the collector of internal revenue any neglect of duty, incompetency, delinquency, or malfeasance in office of any internal-revenue officer of which he may obtain knowledge, with a statement of all the facts in each case and any evidence sustaining the same. He may, by

notice in writing, suspend from duty any storekeeper, and in such case he shall immediately notify the collector of internal revenue and within three days thereafter report his action and his reasons therefor in writing to said collector.

Should any revenue agent discover any neglect, incompetency, delinquency, or malfeasance of any provincial treasurer in the performance of his duty as a collector of internal revenue, he shall immediately report the facts to the collector of internal revenue in writing.

[2657—1584.]

SEC. 1430. *Authority of agent's assistant.*—An agent's assistant in any district may, in the name of the internal-revenue agent in charge of such district and under the control of such officer as his principal, exercise any power or perform any act which might be exercised or performed by such internal-revenue agent himself.

[2657—1585.]

SEC. 1431. *Assignment of storekeepers to warehouses.*—The collector of internal revenue shall employ and assign to such bonded warehouses and manufacturers' warehouses as he shall deem expedient internal-revenue storekeepers.

[2657—1586.]

SEC. 1432. *Assignment of internal-revenue agents to special duties.*—Internal-revenue agents may be assigned to duty under the direction of any officer of the Bureau of Internal Revenue and may be assigned to special duties other than those of internal-revenue agent proper.

Any officer or employee of the bureau may be assigned to the duties of revenue agent without change of his official character or salary.

[2657—1587.]

SEC. 1433. *Reports of violations of law.*—When a provincial or deputy provincial treasurer or an internal-revenue agent discovers evidence of the violation of any law administered by the Bureau of Internal Revenue of such character that a criminal prosecution ought to be instituted, he shall immediately report the facts to the fiscal of the province, giving the name of the offender and the names of the witnesses, if possible. A duplicate of such report shall be sent to the collector of internal revenue.

It shall also be the duty of officers and employees of the Bureau of Internal Revenue to report to the Bureau of Forestry any violations of the forest law within their knowledge. A duplicate of each such report shall be furnished to the collector of internal revenue.

[2657—1587.]

SEC. 1434. *Authority of internal-revenue officers to make arrests and seizures.*—The collector of internal revenue, the deputy collector of internal revenue, internal-revenue agents, and provincial treasurers and their deputies shall have authority to make arrests and seizures for the violation of any penal law or regulation administered by the Bureau of Internal Revenue. Any person so arrested shall be forthwith carried before a magistrate, there to be dealt with according to law.

[2657—1589.]

SEC. 1435. (As amended by act No. 2392.) *Power of collector of internal revenue in making assessments.*—When a report required by law as a basis for the assessment of any tax shall not be forthcoming within the time fixed by law or regulation, or when there is reason to believe that any such report is false, incomplete, or erroneous, the collector of internal revenue shall assess the proper tax on the best evidence obtainable.

“When it shall come to the knowledge of the collector of internal revenue that a taxpayer is retiring from the business subject to taxation, or intends to leave the Philippine Islands, or remove his property therefrom, or hide or conceal his property, or perform any act tending to obstruct the proceedings for collecting the tax for the past or current quarter or year or render the same totally or partly inefficient, unless such proceedings are begun immediately, the collector of internal revenue shall declare the tax period of such taxpayer due at any time and shall send the taxpayer a notice of such decision, together with a request for the immediate payment of the tax for the tax period so declared due and the tax for the preceding year or quarter, or such portion thereof as may be unpaid, and said taxes shall be due and payable immediately and shall be subject to all the penalties hereafter prescribed, unless paid within the time fixed in the request of the collector of internal revenue.”

[2657—1590.]

SEC. 1436. *Authority of officers to administer oaths and take testimony.*—The collector of internal revenue, the deputy collector of internal revenue, special deputies of the collector, internal-revenue agents, provincial treasurers and their deputies, and any other employee of the bureau thereunto especially deputed by the collector shall have power to administer oaths and to take testimony in any official matter or investigation conducted by them touching any matter within the jurisdiction of the bureau.

[2657—1591.]

SEC. 1437. *Contents of collector's annual report.*—The annual report of the collector of internal revenue shall contain a detailed statement

of the collections and disbursements of the bureau with specifications of the sources of revenue and classes of disbursements.

[2657—1592.]

ARTICLE II.—*Sources of internal revenue.*

SEC. 1438. (As amended by sec. 2, act 2819.) *Sources of taxes.*—The following taxes, fees, and charges in the nature of tax are deemed to be internal-revenue taxes:

- (a) The cedula tax.
- (b) The documentary tax.
- (c) The privilege taxes on business or occupation.
- (d) Specific taxes on manufactured products.
- (e) Taxes on resources of banks, receipts of insurance companies, and receipts of corporations paying a franchise tax.
- (f) Charges for forest products.
- (g) Fees for testing and sealing weights and measures.
- (h) Internal revenue, including the income tax.
- (i) Ad valorem tax on the output of mines.
- (j) The tax on inheritances, legacies, and other acquisitions mortis causa.

[2657—1593.]

ARTICLE III.—*Cedula tax.*

SEC. 1439. *Persons liable to cedula tax.*—An annual internal-revenue cedula tax shall be paid by all male inhabitants of the Philippine Islands over the age of 18 and under 60 years, with the following exceptions:

- (a) Commissioned officers of the United States Army or Navy.
- (b) Enlisted soldiers, sailors, and marines of the United States Army and Navy.
- (c) Civilian employees of the military or naval branches of the United States Government who have come to the Philippine Islands under orders of the Government of the United States.
- (d) Diplomatic and consular representatives and officials of foreign powers.
- (e) Paupers.
- (f) Insane persons.
- (g) Imbeciles.
- (h) Persons serving a sentence of more than one year in a public prison.
- (i) Non-Christians living elsewhere than in the Department of Mindanao and Sulu may be exempted from the cedula tax by resolution of the provincial board, with the approval of the secretary of the interior. A copy of any resolution effecting such exemption shall be supplied to the collector of internal revenue.

[2657—1594.]

SEC. 1440. *Amount of the cedula tax.*—The cedula tax shall be 1 peso; but in the city of Manila and in any Province other than the Mountain Province and Nueva Vizcaya it may, by resolution of the respective municipal board or provincial board for said city or Province, be increased to 2 pesos. Where such increase is effected it shall remain in force until abrogated for one or more years by resolution of the board, either with the express approval of the governor general or upon the expiration of 30 days after the receipt by him of such resolution, without his disapproval. A copy of any resolution increasing or decreasing the tax in a Province shall be furnished by the provincial treasurer to the collector of internal revenue.

[2657—1595.]

SEC. 1441. *Increase of tax in case of delinquency.*—Upon delinquency, the cedula tax to which any person is liable shall be subject to the following surtax:

(a) If the tax is paid after the 30th of April but not after the 30th of June of the current year, the surtax shall be 50 per cent of the amount in which the taxpayer is delinquent.

(b) If the tax is paid after the 30th day of June of the current year, the surtax shall be 100 per cent of the amount in which the taxpayer is delinquent.

[2657—1596.]

SEC. 1442. *Payment of arrearages.*—Any person delinquent in the payment of the cedula tax for former years may obtain a cedula for the current year by paying at the same time for a cedula for the first year in which he was delinquent, and subscribing to an affidavit in which he shall bind himself to pay for his unpaid cedulas at the rate of one for each two or six months, as the collector of internal revenue may determine, as follows:

“I _____, a native of _____, Province of _____, being _____ years of age, by occupation a _____, and residing at No. _____ Street, in the municipality of _____, Province of _____, hereby freely and voluntarily declare on oath that it is my desire, and I solemnly agree, to pay my unpaid cedulas for the years _____ at the rate of one cedula for _____, until all said years for which I am now delinquent are fully paid; and not to change my residence without advising the municipal treasurer of my municipality of the address of my new residence.

“Noncompliance on my part with any of the foregoing conditions will determine the annulment of the present agreement, and I shall be liable to the proceedings and penal provisions of existing law.

"In testimony whereof I have hereunto affixed my signature at -----.

"Witnessed by:

"-----."

The cedula for the current year issued to persons delinquent for former years shall bear an indorsement of the number of years of delinquency, a practice that shall be followed from year to year so long as the delinquency lasts.

[2657—1597.]

SEC. 1443. *Time for payment of cedula tax*.—When delinquency occurs.—Liability for the cedula tax accrues on the 1st of January of each year as regards persons then resident in the islands and liable to the tax, and if a person so liable fails to pay the tax before the 1st of May he shall be delinquent. As regards those who come to reside in the islands prior to the 1st of July and those who reach the age of 18 years, or otherwise lose the benefit of exemption prior to that date, liability shall attach upon the day of arrival or upon the day exemption ceases, and if arriving or becoming liable on or before the 10th of April they shall likewise be delinquent upon failure to pay the tax before the 1st of May; but such persons arriving or becoming liable after the 10th of April, shall have 20 days within which to pay the tax without becoming delinquent.

Persons who on the 1st of January are serving sentence of one year or less in prison and are not released until after the 10th of April shall have 20 days after their release within which to pay the tax without becoming delinquent.

Persons who come to reside in the islands or arrive at the age of 18 years on or after the 1st of July of any year, or who cease to belong to an exempt class on or after the same date, shall not be subject to the tax for such year.

[2657—1598.]

SEC. 1444. *Extension of time for payment of cedula tax*.—When the public interests so require, the provincial board of any province situated elsewhere than in the Department of Mindanao and Sulu may, by resolution, with the approval of the governor general, extend the time for the payment of the cedula tax without the consequences of delinquency for a period not exceeding three months in any year. In the Department of Mindanao and Sulu such extension may be made for a period not exceeding four months in any year, and the power to make such extension shall be vested in the provincial governor, to be exercised with the approval of the governor of the department.

[2657—1599.]

SEC. 1445. *Remission of tax in Department of Mindanao and Sulu.*—The governor of any province in the Department of Mindanao and Sulu may, with the approval of the governor of the department, order a cedula issued for 1 peso, or free of charge, to any resident in any locality of the district whenever he may deem this to be in the public interest.

[2657—1600.]

SEC. 1446. *Payment of cedula tax in province other than that of domicile.*—A person temporarily absent from the province of his domicile may pay the cedula tax in any province where he is sojourning; but such payment in a province where the tax is 1 peso shall not remove liability for the additional peso to which the taxpayer may be subject in the province of his domicile.

[2657—1601.]

SEC. 1447. *Presentation of cedula certificate upon certain occasions.*—When a person liable to the cedula tax offers himself for registration as a qualified voter, acknowledges any document before a notary public, takes the oath of office upon election or appointment to any position in the Government service, receives any license, certificate, or permit from any public authority, pays any tax, receives any money from any public fund, or transacts other official business, it shall be the duty of the officer or person with whom such transaction is had or business done to require the exhibition of the certificate showing the payment of the cedula tax by such person. Such certificate shall be the one issued for the current year, except during the month of January of each year, and except also in the case of the payment of the cedula tax at any time during the year, in which cases the exhibition of the certificate for the previous year shall suffice.

[2657—1602.]

SEC. 1448. *Secondary certificate in lieu of destroyed cedula certificate.*—The collector of internal revenue, upon presentation to him of satisfactory proof in the form of an affidavit of the actual destruction or loss of a cedula certificate by accident, fire, or other casualty, and without any fraud or negligence on the part of the taxpayer, shall issue gratuitously a secondary certificate showing the number of the original certificate and its date, together with the other information contained therein, which secondary certificate may be used in lieu of the original certificate for all purposes.

[2657—1603.]

ARTICLE IV.—DOCUMENTARY STAMP TAX.

SEC. 1449. *Stamp tax upon documents and papers.*—Upon documents, instruments, and papers, and upon acceptances, assignments, sales, and transfers of the obligation, right, or property incident

thereto, documentary taxes for and in respect of the transaction so had or accomplished shall be paid as hereinafter prescribed, by the person making, signing, issuing, accepting, or transferring the same, and at the time such act is done or transaction had:

(a) On all bonds, debentures, and certificates of indebtedness issued by any association, company, or corporation, on each 200 pesos or fractional part thereof, of the face value of such document, 20 centavos.

(b) On every original issue, whether on organization or on re-organization, of certificates of stock by any such association, company, or corporation, on each 200 pesos, or fractional part thereof, of the face value of such certificate, 20 centavos.

(c) On all sales or agreements to sell, or memoranda of sales, or deliveries, or transfer of shares or certificates of stock in any association, company, or corporation, or transfer by assignment in blank, or by delivery, or by any paper, or agreement, or memorandum, or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock, or to secure the future payment of money, or for the future transfer of any stock, on each 200 pesos, or fractional part thereof, of the par value of such stock, 4 centavos.

(d) On all bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country there shall be paid by the person here selling or transferring the same, such tax as is required by law on similar instruments when issued, sold, or transferred in the Philippine Islands.

(e) On all certificates of profits, or any certificate or memorandum showing interest in the property or accumulations of any association, company, or corporation, and on all transfers of such certificates or memoranda, on each 200 pesos, or fractional part thereof, of the face value of such certificate or memorandum, 2 centavos.

(f) On each bank check, draft, or certificate of deposit, not drawing interest, or order for the payment of any sum of money drawn upon or issued by any bank, trust company, or any person or persons, companies, or corporations, at sight or on demand, 2 centavos.

(g) On all bills of exchange (between points within the Philippine Islands), drafts, and certificates of deposit drawing interest, or orders for the payment of any sum of money otherwise than at sight or on demand, and on all promissory notes, except bank notes issued for circulation, and on each renewal of any such note, on each 200 pesos, or fractional part thereof, of the face value of any such bill of exchange, draft, certificate of deposit, or note, 2 centavos.

(h) Upon any acceptance or payment upon acceptance of any bill of exchange or order for the payment of money purporting to be

drawn in a foreign country but payable in the Philippine Islands, on each 200 pesos, or fractional part thereof, of the face value of any such bill of exchange or order, or the Philippine equivalent of such value, if expressed in foreign currency, 2 centavos.

(i) On all foreign bills of exchange and letters of credit (including orders, by telegraph or otherwise, for the payment of money issued by express or steamship companies or by any person or persons) drawn in but payable out of the Philippine Islands, in a set of three or more according to the custom of merchants and bankers, on each 200 pesos, or fractional part thereof, of the face value of any such bill of exchange or letter of credit, or the Philippine equivalent of such face value, if expressed in foreign currency, 4 centavos.

(j) On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance shall be made or renewed upon any life or lives, on each 200 pesos, or fractional part thereof, of the amount insured by any such policy, 10 centavos.

(k) On all policies of insurance or other instruments by whatever name the same may be called, by which insurance shall be made or renewed upon property of any description, including rents or profits, against peril by sea or on inland waters, or by fire or lightning, on each 4 pesos, or fractional part thereof, of the amount of premium charged, 2 centavos.

(l) On all policies of insurance or bonds or obligations of the nature of indemnity for loss, damage, or liability made or renewed by any person, association, company, or corporation transacting the business of accident, fidelity, employer's liability, plate glass, steam boiler, burglar, elevator, automatic sprinkler, or other branch of insurance (except life, marine, inland, and fire insurance), and on all bonds, undertakings, or recognizances conditioned for the performance of the duties of any office or position, for the doing or not doing of anything therein specified, and on all obligations guaranteeing the validity or legality of any bonds or other obligations issued by any province, municipality, or other public body or organization, and on all obligations guaranteeing the title to any real estate, or guaranteeing any mercantile credits, which may be made or renewed by any such person, company or corporation, on each 4 pesos, or fractional part thereof, of the premium charged, 2 centavos.

(m) On all policies of annuities, or other instruments by whatever name the same shall be called, whereby an annuity may be made, transferred, or redeemed, on each 200 pesos, or fractional part thereof, of the capital of the annuity, or should this be unknown, then on each 200 pesos, or fractional part thereof, of thirty-three and one-third times the annual income, 10 centavos.

(n) On each bond for indemnifying any person, firm, or corporation who shall become bound or engaged as surety for the payment

of any sum of money or for the due execution or performance of the duties of any office or position or to account for money received by virtue thereof, and on all other bonds of any description, except such as may be required in legal proceedings or are otherwise provided for herein, 50 centavos.

(o) On each certificate of damage, or otherwise, and on every other certificate or document issued by any customs officer, marine surveyor, or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law, or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof of a fact, and not otherwise specified herein, 20 centavos.

(p) On each warehouse receipt for property held in storage in a public or private warehouse or yard for any other person than the proprietor of such warehouse or yard himself, or some employee of his engaged in and about the same, 20 centavos.

(q) On each set of bills of lading or receipts (except charter party) for any goods, merchandise, or effects of greater value than 5 pesos, to be exported from a port in the Philippine Islands to any foreign port, 10 centavos.

(r) On each set of bills of lading or receipts (except charter party) for goods, merchandise, or effects of greater value than 5 pesos shipped from one port or place in the Philippine Islands to another port or place in said islands, 4 centavos.

(s) On each passage ticket or any receipt for money paid for passage on any vessel other than on a vessel belonging to the Insular Government or the Government of the United States from any port in the Philippine Islands to a port in the United States or to any foreign port:

1. If said passage costs not more than 60 pesos, 1 peso.
2. If said passage costs more than 60 pesos and not more than 120 pesos, 2 pesos.
3. If said passage costs more than 120 pesos, 3 pesos.

(t) On each proxy for voting at any election for officers of any incorporated company or association, except associations or corporations for religious, charitable, or literary purposes or to manage public cemeteries, 20 centavos.

(u) On each power of attorney to perform any act whatsoever, except acts connected with the collection of claims due from or accruing to the Government of the United States, the government of the Philippine Islands, or the government of any province or municipality, 20 centavos.

(v) On each lease, agreement, memorandum, or contract for the hire, use, or rent of any lands or tenements, or portions thereof:

1. If executed for not more than one year, 20 centavos.

2. If executed for more than one year and not more than three years, 50 centavos.

3. If executed for a period of more than three years, 1 peso.

(w) On every mortgage or pledge of lands, estate, or property, real or personal, heritable or movable, whatsoever, where the same shall be made as a security for the payment of any definite and certain sum of money lent at the time or previously due and owing or forborne to be paid being payable, and on any conveyance of land, estate, or property, whatsoever, in trust or to be sold or otherwise converted into money, which shall be and intended only as security, either by express stipulation or otherwise:

1. When the amount for which the mortgage or deed of trust is given is not less than 1,000 pesos nor more than 3,000 pesos, 50 centavos.

2. On each 3,000 pesos or fractional part thereof in excess of 3,000 pesos, an additional tax of 50 centavos.

(x) On all conveyances, deeds, instruments, or writings, other than grants, patents, or original certificates of adjudication issued by the Government, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to the purchaser or purchasers, or to any other person or persons designated by such purchaser or purchasers:

1. When the true consideration, or value received or contracted to be paid for such realty, after making proper allowance for any incumbrance, is more than 200 pesos but not more than 2,000 pesos, 50 centavos.

2. For each additional 1,000 pesos, or fractional part thereof, of such true consideration or value, 50 centavos.

When it appears that the amount of the documentary tax payable hereunder has been reduced by an incorrect statement of the consideration in any conveyance, deed, instrument, or writing subject to such tax, the collector of internal revenue, provincial treasurer, or other revenue officer shall, from the assessment rolls or other reliable source of information, assess the property at its true market value and collect the proper tax thereon.

(y) On every charter party, contract, or agreement for the charter of any ship, vessel, or steamer, or any letter or memorandum or other writing between the captain, master, or owner, or other person acting as agent of any ship, vessel, or steamer, and any other person or persons for or relating to the charter of any such ship, vessel, or steamer, and on any renewal or transfer of such charter, contract, agreement, letter, or memorandum:

1. If the registered gross tonnage of the ship, vessel, or steamer is not more than 300 tons, 6 pesos.

2. If the registered gross tonnage is more than 300 tons but not more than 600 tons, 10 pesos.

3. If the registered gross tonnage is more than 600 tons, 20 pesos.

(z) Upon each and every assignment or transfer of any mortgage, lease, or policy of insurance, or the renewal or continuance of any agreement, contract, or charter by altering or otherwise, a stamp tax shall be levied, collected, and paid at the same rate as that imposed on the original instrument.

[2657—1604.]

SEC. 1450. *Documents and papers not subject to stamp tax.*—The following instruments, documents, and papers shall be exempt from the documentary stamp tax:

(a) Bonds, debentures, and certificates of indebtedness issued by the Insular Government or any provincial or municipal government.

(b) Checks, drafts, warrants, and bills of exchange issued in payment of any debt, obligation, or liability, or in fulfillment of any contract of the Government of the United States, or the Insular Government, or of a provincial or municipal government.

(c) Policies of insurance or annuities made or granted by a fraternal or beneficiary society, order, association, or cooperative company, operated on the lodge system or local cooperation plan, and organized and conducted solely by the members thereof for the exclusive benefit of its members and not for profit.

(d) Certificates of oaths administered to any Government official, in his official capacity, or of acknowledgment by any Government official in the performance of his official duties; written appearances in any court by any Government official, in his official capacity; certificates of the administration of oaths to any person as to the authenticity of any paper required to be filed in court by any person or party thereto, whether the proceedings be civil or criminal; papers and documents filed in courts for the military, naval, insular, provincial, or municipal governments, whether civil or criminal; affidavits of poor persons for the purpose of proving poverty; statements and other compulsory information required of persons or corporations by rules and regulations of the military, naval, insular, provincial, or municipal governments exclusively for statistical purposes and which are wholly for the use of the bureau in which the same are filed, and not at the instance of, or for the use or benefit of, the person filing the same; certified copies and other certificates placed upon documents, instruments, and papers for the military, naval, insular, provincial, or municipal governments, made at the instance and for the sole use of some other branch of the military, naval, insular, provincial, or municipal governments; and certificates of the assessed value of lands, not exceeding 200 pesos in value as-

sessed, furnished by provincial or municipal treasurers to applicants for registration of title to land.

When any bond, note, or other obligation is secured by a mortgage, pledge, deed of trust, or by the assignment or transfer of any documentary security, one tax only shall be collected upon such papers, such tax to be at the highest rate imposed on such mortgage, bond, note, obligation, or other document as the case may be.

[2657—1605.]

SEC. 1451. *Payment of documentary stamp tax—Cancellation of stamp.*—Documentary taxes shall be paid by the purchase and affixture of documentary stamps to the document or instrument taxed or to such other paper as may be indicated by law as the proper recipient of the stamp, and by the subsequent cancellation of the same, such cancellation to be accomplished by writing or stamping the date across the face of the stamp in such manner that part of the writing or impression shall be on the stamp itself and part on the paper to which it is attached.

When the evidence of a sale or transfer is shown only on the books of a company, the stamp shall be affixed to such books; and in case the change of ownership is by transfer of certificates the stamp shall be affixed to the certificate; and in case of an agreement to sell, or when the transfer is by delivery of the certificate assigned in blank, there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale to which the stamp shall be affixed; and every such bill or memorandum of sale, or agreement to sell, shall show the date thereof, the name of the seller and of the purchaser, the amount of the sale, and matter or thing to which it refers.

[2657—1606.]

SEC. 1452. (As amended by sec. 2, act No. 2835.) *Effect of failure to stamp taxable document.*—An instrument, document, or paper which is required by law to be stamped and which has been signed, issued, accepted, or transferred without being duly stamped shall not be recorded, nor shall it or any copy thereof or any record of transfer of the same be admitted or used in evidence in any court until the requisite stamp or stamps have been affixed thereto.

No notary public or other officer authorized to administer oaths shall add his jurat or acknowledgment to any document subject to documentary stamp tax unless the proper documentary stamps are affixed thereto and canceled.

[2657—1607.]

ARTICLE V.—PRIVILEGE TAXES.

SEC. 1453. *Privilege taxes on business and occupation.*—A privilege tax must be paid before any business or occupation hereinafter specified can be lawfully begun or pursued. The tax on business is

payable for every separate or distinct establishment or place where business subject to the tax is conducted; and one occupation or line of business does not become exempt by being conducted with some other occupation or business for which such tax has been paid.

The occupation tax must be paid by each individual engaged in a calling subject thereto; the tax on a business, by the person, firm, or company conducting the same.

[2657—1608.]

SEC. 1454. *Legality of business as affected by payment of tax.*—The payment of a business or occupation tax shall not exempt any person from any tax, penalty, or punishment provided by law or ordinance in places where such business or occupation is prohibited or regulated by municipal law, nor shall the payment of any such tax be held to prohibit any municipality from placing a tax upon the same business or occupation, for local purposes, where the imposition of such tax is authorized by law.

[2657—1609.]

SEC. 1455. *Time for payment of fixed taxes.*—The yearly fixed taxes are due on the 1st of January of each year, and, if tendered in quarterly installments on or before the 20th of January, April, July, and October, or on or before the last day of said months, in remote provinces, in the discretion of the collector of internal revenue, shall be received without penalty. But any person first beginning a business or occupation must pay the tax before engaging therein.

[2657—1610.]

SEC. 1456. *Reckoning tax for business first begun or abandoned during year.*—When an occupation or business subject to a fixed tax is newly begun during any year the tax shall be reckoned from the commencement of the current quarter, or in case of a business subject to a monthly tax, from the first of the month; and when either is at any time abandoned, the tax shall not be exacted for a longer period than to the end of the quarter or month, as the case may be.

[2657—1611.]

SEC. 1457. *Fixed tax upon business subject to percentage tax.*—Every person not hereinbelow exempted engaging in a business on which the percentage tax is imposed shall pay a fixed annual tax of 2 pesos. This tax shall be payable for each calendar year or fraction thereof in which such person shall engage in said business. If his receipts do not come up to the minimum limit established for the percentage tax, he may continue in business without further tax until the first day of the next following year. In any case the amount of his business must be reported quarterly as required in the next succeeding section.

The fixed annual tax shall be payable before the person subject to the same begins to engage in the business, and thereafter within

the regulation period in the month of January during which the other fixed privilege taxes may be paid without penalty.

The following shall be exempt from the tax imposed in this section:

(a) Persons engaged in public market places in the sale of food products at retail, and other small merchants whose gross quarterly sales do not exceed 200 pesos.

(b) Peddlers and sellers at fixed stands of fruit, produce, and food, raw or otherwise, the total selling value whereof does not exceed 3 pesos per day and who do not renew their stock oftener than once every 24 hours.

(c) Producers of commodities of all classes working in their own homes, consisting of parents and children living as one family, when the value of each day's production by each person capable of working is not in excess of 1 peso.

(d) Owners of a single two-wheeled vehicle habitually driven by themselves.

(e) Owners of a single banca habitually operated by themselves.

[2657—1612.]

SEC. 1458. (As amended by sec. 2, act No. 2892.) *Payment of percentage taxes—Quarterly report of earnings.*—The percentage taxes on business shall be payable at the end of each calendar quarter in the amount lawfully due on the business transacted during each quarter; and it shall be the duty of every person conducting a business subject to such tax, within the same period as is allowed for the payment of the quarterly installments of the fixed taxes without penalty, to make a true and complete return of the amount of the receipts or earnings of his business during the preceding quarter and pay the tax due thereon: *Provided, however,* That it shall be the duty of any person retiring from a business subject to the percentage tax before the expiration of the calendar quarter to notify the nearest internal-revenue officer thereof, file his declaration, and pay the tax due on his business immediately after closing the same.

If the percentage tax on any business is not paid within the time prescribed above the amount of the tax shall be increased by 25 per centum, the increment to be a part of the tax.

[2657—1613.]

SEC. 1459. *Percentage tax on merchants' sales.*—All merchants not herein specifically exempted shall pay a tax of 1 per centum on the gross value in money of the commodities, goods, wares, and merchandise sold, bartered, exchanged, or consigned abroad by them, such tax to be based on the actual selling price or value of the things in question at the time they are disposed of or consigned, whether consisting of raw material or of manufactured or partially manu-

factured products, and whether of domestic or foreign origin. The tax upon things consigned abroad shall be refunded upon satisfactory proof of the return thereof to the Philippine Islands unsold.

The following shall be exempt from this tax:

(a) Persons engaged in public market places in the sale of food products at retail, and other small merchants whose gross quarterly sales do not exceed 200 pesos.

(b) Peddlers and sellers at fixed stands of fruit, produce, and food, raw or otherwise, the total selling value whereof does not exceed 3 pesos per day and who do not renew their stock oftener than once every 24 hours.

(c) Producers of commodities of all classes working in their own homes, consisting of parents and children living as one family, when the value of each day's production by each person capable of working is not in excess of 1 peso.

“Merchant,” as here used, means a person engaged in the sale, barter, or exchange of personal property of whatever character. Except as specially provided, the term includes manufacturers who sell articles of their own production and commission merchants having establishments of their own for the keeping and disposal of goods of which sales or exchanges are effected, but does not include merchandise brokers.

[2657—1614.]

SEC. 1460. *Sales not subject to merchant's tax.*—In computing the tax above imposed transactions in the following commodities shall be excluded:

(a) Things subject to a specific tax.

(b) Agricultural products when sold by the producer or owner of the land where grown, or by any other person other than a merchant or commission merchant, whether in their original state, or not.

[2657—1615.]

SEC. 1461. *Percentage tax on printers, publishers, and lithographers.*—Printers, publishers, and lithographers shall pay a tax equivalent to 1 per centum of their gross receipts; but persons engaged in the publication of printing and publication of any newspaper, magazine, review, or bulletin appearing at regular intervals and having fixed prices for subscription and sale shall not be taxed on receipts from sales of, subscription to, or advertisements in such publication; but this exemption shall not apply to any publication the principal purpose of which is the publication of advertisements.

[2657—1616.]

SEC. 1462. *Percentage tax on contractors, warehousemen, and others.*—Contractors, warehousemen, proprietors of dockyards, and persons selling light, heat, or power, as well as persons engaged in

conducting telephone or telegraph lines, or exchanges, and proprietors of steam laundries, and of shops for the construction and repair of bicycles or vehicles of any kind, and keepers of hotels and restaurants shall pay a tax equivalent to 1 per centum of their gross receipts.

[2657—1617.]

SEC. 1463. *Percentage tax on carriers and keepers of stables and garages.*—Keepers of livery stables and garages, transportation contractors, persons who transport passengers or freight for hire, and common carriers by land or water, except owners of boats taxed under the laws administered by the Bureau of Customs, owners of a single banca who habitually operate the same themselves, and owners of a single two-wheeled vehicle who habitually drive same themselves, shall pay a tax equivalent to 1 per centum of their gross receipts.

[2657—1618.]

SEC. 1464. (As amended by sec. 3, act No. 2335, and sec. 1, act No. 2925.) *Amount of tax on business.*—Fixed taxes on business shall be collected as follows, the amount stated being for the whole year, when not otherwise specified:

(a) Distillers of spirits, 300 pesos.

(b) Brewers, 400 pesos.

(c) Rectifiers of distilled spirits, 300 pesos.

(d) Manufacturers of tobacco, 20 pesos.

(e) Manufacturers of cigars, 20 pesos.

(f) Wholesale liquor dealers—

1. In city of Manila, 400 pesos.

2. In any other place, 120 pesos.

(g) Retail liquor dealers, 60 pesos.

(h) Retail vino dealers, 12 pesos.

(i) Wholesale dealers in fermented liquors, 120 pesos.

(j) Retail dealers in fermented liquors, 30 pesos.

(k) Retail dealers in tuba, basi, and tapuy, 10 pesos.

(l) Tobacco dealers, 8 pesos.

(m) Retail leaf tobacco dealers, 20 pesos.

(n) Wholesale peddlers of manufactured tobacco, 80 pesos.

Wholesale peddlers of distilled, manufactured, or fermented liquor, 120 pesos.

(o) Retail peddlers of manufactured tobacco, 16 pesos. Retail peddlers of distilled, manufactured, or fermented liquor, 60 pesos.

(p) Business agents (agentes de negocios), 40 pesos.

(q) Proprietors of cockpits, 200 pesos; and for each cockfight (soltada), a tax of 25 centavos.

(r) Proprietors of theaters, museums, cinematographs, and concert halls—

1. In city of Manila, 200 pesos.

2. In any other place, 100 pesos; or in this case, by the month, 10 pesos.

(s) Proprietors of circuses giving exhibitions in one or more places or provinces, 200 pesos.

(t) Proprietors of billiard rooms, for each table, 10 pesos.

(u) Owners of race tracks, for each day on which races are run on any track, 300 pesos.

(v) Pawnbrokers, 400 pesos.

(w) Stock brokers, real estate brokers, and commercial brokers, 80 pesos.

(x) Money lenders, 200 pesos.

(y) Repackers of wines or distilled spirits, 300 pesos.

SEC. 1465. (As amended by sec. 4, act 2835.) *Words and phrases defined.*—In applying the provisions of the preceding section words and phrases shall be taken in the sense and extension indicated below :

(a) "Distiller of spirits" comprises all who distill spirituous liquors by original and continuous distillation from mash, wort, wash, sap, or sirup through continuous closed vessels and pipes until the manufacture thereof is complete.

(b) "Brewer" comprises all persons who manufacture fermented liquors of any description for sale or delivery to others, but not including manufacturers of tuba, basi, or tapuy, or similar domestic fermented liquors whose daily production does not exceed 200 gauge liters.

(c) "Rectifier" comprises every person who rectifies, purifies, or refines distilled spirits or wines by any process other than by original and continuous distillation from mash, wort, wash, sap, or sirup through continuous closed vessels and pipes until the manufacture thereof is complete. Every wholesale or retail liquor dealer who has in his possession any still or mash tub, or who keeps any other apparatus for the purpose of distilling spirits or in any manner refining distilled spirits, and every person who, without rectifying, purifying, or refining distilled spirits, shall, by mixing such spirits, wine, or other liquor with any materials except water, manufacture any intoxicating beverage whatever, shall also be regarded as a rectifier and as being engaged in the business of rectifying.

(d) "Manufacturer of tobacco" includes every person whose business it is to manufacture tobacco or snuff, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, or rubbing any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco or manufactured or partially manufactured tobacco and snuff or putting up for consumption scraps, refuse, or stems of tobacco resulting from any process of handling tobacco, or by working or preparing leaf tobacco, tobacco

stems, scraps, clippings, or waste by sifting, twisting, screening, or by any other process.

(e) "Manufacturer of cigars" includes those whose business it is to make or manufacture cigars or cigarettes for sale or who employ others to make or manufacture cigars or cigarettes for sale; but the term does not include artisans or apprentices employed to make cigars or cigarettes from material supplied by the employer, the latter being lawfully engaged in the manufacture of cigars and cigarettes.

(f) "Wholesale liquor dealer" comprehends every person who for himself or on commission sells or offers for sale wines or distilled spirits (other than denatured alcohol) in larger quantities than 5 liters at any one time, or who sells or offers the same for sale for the purpose of resale irrespective of quantity.

(g) "Retail liquor dealer" includes every person, except a retail vino dealer, who for himself or on commission sells or offers for sale wine or distilled spirits (other than denatured alcohol) in quantities of 5 liters or less at any one time and not for resale.

(h) "Retail vino dealer" includes every person who for himself or on commission sells or offers for sale only domestic distilled spirits in quantities of 5 liters or less at any one time and not for resale.

(i) "Wholesale dealer in fermented liquors" means anyone who for himself or on commission sells or offers for sale fermented liquors in larger quantities than 5 liters at any one time, or who sells or offers for sale such fermented liquors (excluding tuba, basi, tapuy, and similar domestic fermented liquors) for the purpose of resale, regardless of quantity.

(j) "Retail dealer in fermented liquors" includes every person, except retail dealers in tuba, basi, and tapuy, who for himself or on commission sells or offers for sale fermented liquors in quantities of 5 liters or less at any one time and not for resale.

(k) "Retail dealer in tuba, basi, or tapuy" includes every person who for himself or on commission sells or offers for sale tuba, basi, or tapuy, or similar domestic fermented liquor, in quantities of less than 2 decaliters at any one time.

(l) "Tobacco dealer" comprehends every person who for himself or on commission sells or offers for sale cigars, cigarettes, or manufactured tobacco.

(m) "Retail leaf tobacco dealer" includes every person who for himself or on commission sells leaf tobacco or offers the same for sale to any person except a registered dealer in leaf tobacco or a manufacturer of cigars, cigarettes, or manufactured tobacco; but the term does not include a planter or producer so far as concerns the sale of leaf tobacco of his own production.

(n) "Peddler" means any person who either for himself or on commission travels from place to place in town or country and sells his goods or offers to sell and deliver the same. Whether a peddler is a wholesale peddler or a retail peddler of a particular commodity, shall be determined from the definitions of wholesale dealer and retail dealer, as above given, in connection with the particular commodity peddled. A wholesale peddler of manufactured tobacco is one who sells for the purpose of resale.

(o) "Theater" includes every edifice used for the purpose of operatic and dramatic or other representations, plays, or performances, for admission to which entrance money is received.

(p) "Circus" includes every building, tent, or area where feats of horsemanship or acrobatic sports are exhibited, but does not include traveling circuses performing in streets or squares or in buildings not intended for amusement purposes.

(q) "Billiard room" includes every building or place, open to the public, where games of billiards or pool are played, with or without charge.

(r) "Proprietor" of a circus, theater, museum, cinematograph, cockpit, concert hall, or billiard room means the person or persons having a proprietary interest in the conducting thereof.

(s) "Owner of a race track" comprises every person who owns, leases, or controls a track where horses are entered and races are run as a public exhibition, whether or not money is bet on the result of such races.

(t) "Pawnbroker" includes all persons whose business or occupation it is to take or receive by way of pledge or pawn any goods, wares, or merchandise or any kind of personal property whatever, except agricultural products, as security for the repayment of money loaned thereon.

No bank paying the special tax imposed on banks or their resources shall be required to pay the privilege tax imposed on stockbrokers, real estate brokers, pawnbrokers, or money lenders.

(u) "Stockbroker" includes all persons whose business it is, for themselves or others, to negotiate purchases or sales of stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes, or other securities.

(v) "Money lender" includes all persons who make a practice of lending money for themselves or others at interest.

(w) "Real estate broker" includes all persons whose business it is, for themselves or others, to negotiate purchases or sales of lands, buildings, or interest therein, or to negotiate loans secured by lands, buildings, or interest therein, or to rent real estate for others or to collect rents thereon.

(x) "Commercial brokers" includes all persons, other than commission merchants and salaried employees, whose business it is to bring about sales or purchases of merchandise for other persons, or to bring proposed buyers and sellers together, or to negotiate freights or other business for the owners of vessels, or for the shippers or consignors or consignees of freight carried by vessels, for a compensation.

(y) "Business agent" (*agente de negocios*) includes all persons who act as agents of others in the transaction of business with any public officer, as well as those who conduct collecting, advertising, employment, or private detective agencies.

(z) "Repacker of wines or distilled spirits" includes all persons who remove wines or distilled spirits from the original container for repacking and selling the same at wholesale.

SEC. 1466. (As amended by sec. 5, act 2835.) *Percentage tax on stock, real estate, and commercial brokers.*—Stock, real estate, and commercial brokers shall pay a percentage tax equivalent to 4 per centum of the gross compensation received by them in excess of 500 pesos per quarter.

The collector of internal revenue shall be authorized to prescribe, by regulation, the records to be kept by stock, real estate, and commercial brokers subject to the tax. These records shall be considered public and official documents for all purposes.

The records kept by said brokers may be used as evidence to determine the amount of the percentage tax due by them, and the collector of internal revenue may assess and collect the tax due on the compensation earned in accordance with said records.

In any case, the amount of the compensation of said brokers shall be reported quarterly within the time established for the other quarterly reports of sales and receipts.

[2657—1621.]

SEC. 1467. *Increase of tax on cockpits.*—A municipal council may by ordinance in any year fix the tax for the ensuing calendar year or years on any cockpit in any such municipality at a larger amount than that stated above.

Written notice of such action shall be sent to the collector of internal revenue before the same shall become effective.

[2657—1622.]

SEC. 1468. *Reduction of tax on race tracks.*—The provincial board of any province or the city council of Baguio, for said city, may in any year reduce the per diem tax on race tracks for the ensuing calendar year or years to any amount not less than 20 pesos; but no such reduction shall be made for the city of Manila.

Written notice of such action shall be sent to the collector of internal revenue before the same shall become effective.

[2657—1623.]

SEC. 1469. *Privilege secured by payment of tax.*—A person who has paid the tax as a manufacturer of distilled spirits, manufactured liquors or wines, fermented liquors, cigars, cigarettes, snuff, or other manufactured tobacco may, without further payment of privilege tax, sell his products at wholesale and in the original packages at the place of manufacture, but not otherwise.

A retail liquor dealer may without further payment of privilege tax engage in business as a retail vino dealer; and a retail dealer in fermented liquors may without further payment engage in business as a retail dealer in tuba, basi, and tapuy.

[2657—1624.]

SEC. 1470. *Continuation of business of deceased person.*—When any individual paying a business tax dies and the same business is continued by the person or persons interested in his estate no additional payment shall be required for the residue of the term for which the tax was paid.

[2657—1625.]

SEC. 1471. *Removal of business to other location.*—Any business for which the privilege tax has been paid may, subject to the regulations of the bureau, be removed and continued in any other place in the same municipality without the payment of additional tax during the term for which the payment was made.

[2657—1626.]

SEC. 1472. *Revocation of privilege.*—When a person doing business under the provisions of this chapter as a retail liquor dealer, retail vino dealer, dealer in fermented liquors, or as a peddler of tobacco or liquor, is abusing his privilege to the injury of the public morals or peace, or when a place where any such business is established has been or is conducted in a disorderly or unlawful manner, or is a nuisance, or is permitted to be used as a resort for disorderly characters, criminals, or women of ill repute, the collector of internal revenue may, after due investigation, and with the approval of the department head, revoke such privilege, subject to appeal to the governor general, whose action on the appeal shall be final. Such revocation shall operate to forfeit all sums which may have been paid in respect of said privilege and to prohibit the sale, by the person whose privilege is so revoked, of liquor or tobacco for a term which may be fixed in said order.

[2657—1627.]

SEC. 1473. *Amount of privilege tax on occupation.*—Privilege taxes on occupation shall be collected as follows, the amount stated being the sum due for the whole year :

(a) Customs and immigration brokers, 80 pesos.

(b) Lawyers, medical practitioners, land surveyors, architects, public accountants, and civil, electrical, mechanical, or mining engineers, 50 pesos.

(c) Dental surgeons, opticians, photographers, engravers, and professional appraisers or connoisseurs of tobacco and other domestic or foreign products, 40 pesos.

(d) Procuradores judiciales, insurance agents and subagents, and veterinarians, 40 pesos.

(e) Pharmacists, farriers, chiropidists, manicurists, tattooers, and masseurs, 20 pesos.

(f) Midwives and cirujanos ministrantes in medicine or dentistry, 10 pesos.

“Medical practitioner” includes persons engaged in the practice of medicine in other capacity than that of cirujano ministrante or midwife solely, but excluding physicians or surgeons temporarily called in consultation from another country.

[2657—1628.]

SEC. 1474. *Exemption of persons employed by Government or engaged in work of charity.*—No occupation tax shall be imposed upon persons in any branch of the service of the Government of the United States or of the Government of the Philippine Islands whose entire professional services are devoted exclusively to such Governments or are applied under their direction, nor upon persons devoting their entire professional services to any religious, educational, or charitable institution, or hospital, sanitarium, or to any similar establishment, not conducted for private gain.

[2657—1629.]

SEC. 1475. *Privilege tax on signs, signboards, and billboards.*—(Repealed by sec. 1, act No. 2819.)

[2657—1630.]

SEC. 1476. *Removal of sign by Government.*—(Repealed by sec. 1, act No. 2819.)

[2657—1631.]

SEC. 1477. *Restrictive provisions.*—(Repealed by sec. 1, act No. 2819.)

[2657—1632.]

ARTICLE VI.—SPECIFIC TAXES.

SEC. 1478. *Articles subject to specific tax.*—Specific internal-revenue taxes apply to things manufactured or produced in the Philippine Islands for domestic sale or consumption and to things imported from the United States or foreign countries, but not to any-

thing produced or manufactured here which shall be removed for exportation and is actually exported without returning to the islands, whether so exported in its original state or as an ingredient or part of any manufactured article or product.

In case of importations the internal-revenue tax shall be in addition to the customs duties, if any.

No specific tax shall be collected on any articles sold and delivered directly to the United States Army or Navy for actual use or issue by the Army or Navy, or on any article sold to the Bureau of Coast and Geodetic Survey, purchased with funds furnished by the Government of the United States, and any taxes which have been paid on articles so sold and delivered for such use or issue shall be refunded upon such sale and delivery.

[2657—1633.]

SEC. 1479. *Payment of specific tax on domestic products.*—Specific taxes on domestic products shall be paid by the manufacturer, producer, owner, or person having possession of the same; and except as otherwise especially allowed such taxes shall be paid immediately before removal from the place of production.

[2657—1634.]

SEC. 1480. *Payment of specific tax on imported articles.*—Internal-revenue taxes on imported articles shall be paid by the owner or importer to the customs officers, conformably with regulations of the Bureau of Internal Revenue and before the release of such articles from the customhouse.

[2657—1635.]

SEC. 1481. (As amended by sec. 2, act 2925.) *Specific tax on distilled spirits.*—Upon distilled spirits there shall be collected, except as hereinafter provided, specific taxes as follows:

(a) If produced from sap of the nipa, coconut, or buri palm, or from the juice, sirup, or sugar of the cane, per proof liter, 38 centavos.

(b) If produced from any other material, per proof liter, 80 centavos.

This tax shall be proportionally increased for any strength of the spirits taxed over proof spirits.

“Distilled spirits,” as here used, includes all substances known as ethyl alcohol, hydrated oxide of ethyl, or spirits of wine, which are commonly produced by the fermentation and subsequent distillation of grain, starch, molasses, or sugar, or of some sirup or sap, including all dilutions or mixtures; and the tax shall attach to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or be immediately or at any subsequent time transferred into any other substances either in process of original production or by any subsequent process.

“Proof spirits” is liquor containing one-half its volume of alcohol of a specific gravity of seven thousand nine hundred and thirty-nine ten-thousandths at 15° C. A proof liter means a liter of proof spirits.

[2657—1636.]

SEC. 1482. *Mode of computing contents of cask or package.*—Every fractional part of a proof liter equal to or greater than a half liter in a cask or package containing more than 1 liter shall be taxed as a liter, and any smaller fractional part shall be exempt; but any package of spirits the total contents of which are less than a proof liter shall be taxed as 1 liter.

[2657—1637.]

SEC. 1483. *Tax on preparations containing distilled spirits as chief ingredient.*—Medicinal and toilet preparations, flavoring extracts, and all other preparations, of which, excluding the water, distilled spirits form the chief ingredient, shall be subject to the same tax as such chief ingredient.

Upon permit from the collector of internal revenue and subject to the regulations of the bureau, manufacturers of cigars may withdraw from bond free of tax imported wine in specified quantities and grades for use in the treatment of tobacco leaf to be used in the manufacture of cigars; but such wine must first be suitably denatured.

[2657—1638.]

SEC. 1484. *Exemption in favor of domestic denatured alcohol.*—Domestic alcohol of not less than 180° proof (90 per centum absolute alcohol) may, when denatured, be withdrawn from a registered distillery or bonded warehouse without the payment of the specific tax prescribed in section 1481 hereof, for the purpose of being used for fuel, light, or power, or for use generally in the arts and industries.

[2657—1639.]

SEC. 1485. (As amended by act No. 2733.) *Removal of spirits or cigars under bond.*—Spirits requiring rectification may be removed from the place of their manufacture to some other establishment for the purpose of rectification without the prepayment of the specific tax, provided the distiller removing such spirits and the rectifier receiving them shall file with the collector of internal revenue their joint bond conditioned for the future payment by the rectifier of the specific tax that may be due on any finished product, and cigars may be removed by a manufacturer of tobacco products owning and operating a branch factory separate from his principal factory, from the branch factory to the principal factory, for exportation, without the prepayment of the specific tax, provided the manufacturer shall file with the collector of internal revenue his bond conditioned for

the future payment of the specific tax that may be due on the finished product.

[2657—1640.]

SEC. 1486. (As amended by sec. 3, act 2925.) *Specific tax on wines.*—On wines and imitation wines there shall be collected, per liter of volume capacity regardless of proof, the following taxes:

(a) Sparkling wines, 1 peso and 60 centavos.

(b) Still wines containing 14 per centum of alcohol or less, 20 centavos.

(c) Still wines containing more than 14 per centum of alcohol, 40 centavos.

Imitation wines containing more than 25 per centum of alcohol shall be taxed as distilled spirits.

[2657—1641.]

SEC. 1487. (As amended by sec. 4, act 2925.) *Specific tax on fermented liquors.*—On beer, lager beer, ale, porter, and other fermented liquors (except tuba, basi, tapuy, and similar domestic fermented liquors) there shall be collected, on each liter of volume capacity, 10 centavos.

[2657—1642.]

SEC. 1488. *Removal of fermented liquors to bonded warehouse.*—Any brewer may remove or transport or cause to be removed or transported from his brewery or other place of manufacture to a bonded warehouse, used by him exclusively for the storage or sale in bulk of fermented liquor of his own manufacture, any quantities of such fermented liquors not less than 1,000 liters at one removal, without paying the tax thereon at the time of removal from the place of manufacture, under a permit which shall be granted by the collector of internal revenue; and thereafter the manufacturer of such fermented liquor shall pay the tax in the same manner and under the same penalty and liability as when paid at the brewery. Such permits shall be affixed to every package so removed, and shall be canceled or destroyed in such manner as the collector of internal revenue may prescribe.

[2657—1643.]

SEC. 1489. *Removal of damaged liquors free of tax.*—When any fermented liquor has become sour or otherwise damaged so as to be unfit for use as such, brewers may sell and, after securing a special permit from the collector of internal revenue and under the regulations of the bureau, remove the same without the payment of the tax thereon to any place where such liquor is to be used for manufacturing purposes, in casks or other packages, unlike those ordi-

narly used for fermented liquors, containing each not less than 175 liters and having a note of their contents marked thereon.

[2657—1644.]

SEC. 1490. *Specific tax on products of tobacco.*—On manufactured products of tobacco, except cigars, cigarettes, and tobacco specially prepared for chewing so as to be unsuitable for consumption in any other manner, but including all other tobacco twisted by hand or reduced into a condition to be consumed in any manner other than by the ordinary mode of drying and curing; and on all tobacco prepared or partially prepared for sale or consumption, even if prepared without the use of any machine or instrument and without being pressed or sweetened; and on all fine-cut shorts and refuse, scraps, clippings, cuttings, and sweepings of tobacco, there shall be collected, on each kilogram, 60 centavos.

On tobacco specially prepared for chewing so as to be unsuitable for use in any other manner, on each kilogram, 48 centavos.

[2657—1645.]

SEC. 1491. (As amended by act No. 2733.) *Removal of tobacco products without prepayment of tax.*—Products of tobacco entirely unfit for chewing or smoking may be removed free of tax for agricultural or industrial use, under such conditions as may be prescribed in the regulations of the bureau; and stemmed leaf tobacco, fine-cut shorts, the refuse of fine-cut chewing tobacco, refuse, scraps, cuttings, clippings, and sweepings of tobacco may be sold in bulk as raw material by one manufacturer directly to another, under such conditions as may be prescribed in the regulations of the bureau, without the prepayment of the tax.

“Stemmed leaf tobacco,” as herein used, means leaf tobacco which has had the stem or midrib removed. The term does not include broken leaf tobacco.

[2657—1646.]

SEC. 1492. (As amended by sec. 3, act No. 2733, and sec. 6, act No. 2835.) *Specific tax on cigars and cigarettes.*—On cigars and cigarettes (except handmade cigars and cigarettes prepared by the consumer for his own consumption and so used) there shall be collected the following taxes:

(a) Cigars:

1. When the manufacturer's or importer's wholesale price, less the amount of the tax, is 30 pesos per thousand, or less, on each thousand, 2 pesos.

2. When the manufacturer's or importer's wholesale price, less the amount of the tax, is more than 30 pesos but not more than 60 pesos per thousand, on each thousand, 4 pesos.

3. When the manufacturer's or importer's wholesale price, less the amount of the tax, exceeds 60 pesos per thousand, on each thousand, 6 pesos.

(b) Cigarettes:

1. When the manufacturer's or importer's wholesale price, less the amount of the tax, is 4 pesos or less per thousand, on each thousand, 1 peso and 20 centavos.

2. When the manufacturer's or importer's wholesale price, less the amount of the tax, is more than 4 pesos but not more than 6 pesos per thousand, on each thousand, 1 peso and 60 centavos.

3. When the manufacturer's or importer's wholesale price, less the tax, exceeds 6 pesos per thousand, on each thousand, 2 pesos.

The maximum price at which the various classes of cigars and cigarettes are sold at wholesale in the factory or in the establishment of the importer to any member of the public shall determine the rate of the tax applicable to such cigars and cigarettes; and if the manufacturer or importer also sells, or allows to be sold, his cigars and cigarettes at wholesale in another establishment of which he is the owner or in the profits of which he has an interest, the maximum sale price in such establishment shall determine the rate of the tax applicable to the cigars and cigarettes therein sold.

Every manufacturer or importer of cigars and cigarettes shall file with the collector of internal revenue, on the date or dates designated by the latter, a sworn statement of the maximum wholesale prices of cigars and cigarettes, and it shall be unlawful to sell said cigars and cigarettes at wholesale at a price in excess of the one specified in the statement required by this law without previous written notice to said collector of internal revenue.

[2657—1647.]

SEC. 1493. (As amended by act No. 2775.) *Specific tax on matches.*—On matches there shall be collected—

(a) On each gross of boxes containing not more than 80 sticks to the box, 40 centavos.

(b) On each gross of boxes containing over 80 sticks to the box, a proportionate additional tax.

[2657—1648.]

SEC. 1494. *Tax on skimmed milk.*—Upon all condensed skimmed milk and upon all skimmed milk, in whatever form, from which the cream has been removed entirely or in part, sold in the Philippine Islands, there shall be collected for each kilogram of the gross weight of said milk and containers, 20 centavos.

[2657—1649.]

SEC. 1495. *Specific tax on manufactured oils.*—On refined and manufactured mineral oils there shall be collected the following taxes:

(1) Naphtha, gasoline, and all other lighter products of distillation, per liter of volume capacity, 3 centavos.

(2) Kerosene or petroleum, per liter of volume capacity, $1\frac{1}{2}$ centavos.

(3) Lubricating oils, per liter of volume capacity, 3 centavos.

[2657—1650.]

SEC. 1496. *Tax on coal.*—On all coal and coke there shall be collected, per metric ton, 50 centavos.

[2657—1651.]

SEC. 1497. *Tax on cinematographic films.*—There shall be collected, once only, upon each cinematographic film imported or manufactured in the Philippine Islands a tax of 3 centavos per linear meter. This tax shall not be collected on any cinematographic film the tax on which has been paid and which is subsequently returned to the Philippine Islands, nor on any negative film or unprinted positive film, and any taxes heretofore paid on cinematographic films so returned or on negative films or unprinted positive films shall be refunded in case such refund has not yet been made.

[2657—1652.]

SEC. 1498. (As amended by sec. 7, act No. 2835.) *Tax on playing cards.*—(1) On each pack of cards containing not more than 58 cards there shall be collected a tax of 30 centavos.

(2) On each pack containing more than 58 cards there shall be collected the tax established in the last preceding paragraph and a proportionate additional tax on the number in excess of 58.

[2657—1653.]

ARTICLE VII.—TAXES ON RESOURCES OF BANKS, RECEIPTS OF INSURANCE COMPANIES, AND RECEIPTS OF CORPORATIONS PAYING FRANCHISE TAX.

SEC. 1499. *Tax on capital, deposits, and circulation of banks.*—Subject to the exemptions herein made there shall be collected from banks the following taxes on capital, deposits, and circulation:

(a) Upon the capital employed by the bank, for each month, one twenty-fourth of 1 per centum.

(b) Upon the average amount of deposits of money, subject to payment by check or draft, or represented by certificates of deposit or otherwise, whether payable on demand or at some future day, for each month, one-eighteenth of 1 per centum.

(c) Upon the average amount of circulation issued by the bank, including as circulation all notes and other obligations calculated or intended to circulate or be used as money, but not including such as may be retained in the vault of the bank or redeemed and on deposit for said bank, for each month, one-twelfth of 1 per centum.

(d) Upon the average amount of such circulation issued as above, being beyond the amount of the paid-in capital of the bank, for each month, and as an additional tax, 1 per centum.

“Bank,” as herein used, includes every incorporated or other bank, and every person, association, or company having a place of business where credits are opened by the deposit or collection of money or currency subject to be paid or remitted upon draft, check, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes are received for discount or for sale.

“Capital employed” does not include money borrowed or received from time to time in the usual course of business from any person not a partner of or interested in such bank; and no tax shall be imposed on the capital employed by any person whose sole business is lending money on real-estate security.

[2657—1654.]

SEC. 1500. *Time for payment of tax—Increase of tax in case of delinquency.*—These taxes shall be due at intervals of six months—namely, on the 1st of January and July for the respective preceding half-year periods; and if any such tax remains unpaid for four months thereafter the amount of the tax shall be increased by 25 per centum, the increment to be a part of the tax.

[2657—1655.]

SEC. 1501. *Banker's semiannual report of business done.*—A report of the monthly amount of capital, deposits, and circulation shall be rendered on or before the first of May and first of November of each year by each bank subject to the tax above prescribed, with a declaration annexed thereto under oath of the president, cashier, manager, or proprietor to the effect that such report contains a true, faithful, and correct statement of the amounts subject to tax as aforesaid for the period therein covered.

[2657—1656.]

SEC. 1502. *Computing resources of bank incorporated abroad.*—The amount of capital used by a bank within the Philippine Islands, when such bank is a branch of a bank incorporated under laws of the United States or a foreign country, shall, for the purposes of assessment hereunder, be determined in the following manner: The total amount of the capital of the bank shall be ascertained, and, likewise, the total amount of the net earnings of the bank accruing

during the preceding six months, and also the total amount of the net earnings accruing from the bank's business conducted in the Philippine Islands; and such a proportion of the total capital of the bank shall be deemed to have been employed in the Philippine Islands as the net earnings in the Philippine Islands bear to the total net earnings of the bank.

[2657—1657.]

SEC. 1503. *Exemption of savings institutions.*—The deposits in associations or companies known as provident institutions, savings banks, savings funds, or savings institutions, having no capital stock and which do no other business than receiving deposits to be loaned or invested for the sole benefit of the parties making such deposits and without profit or compensation to the association or company, shall be exempt from this tax on so much of their deposits as such institutions have invested in securities satisfactory to the insular treasurer and on all deposits, not exceeding 4,000 pesos, made in the name of any one person.

[2657—1658.]

SEC. 1504. *Exemption in case of reduced circulation.*—When the outstanding circulation of any bank is reduced to an amount not exceeding 5 per centum of the chartered or declared capital existing at the time the same was issued, such circulation shall be free from taxation; and when any bank which has ceased to issue notes for circulation deposits with the insular treasurer, in lawful money, the amount of its outstanding circulation to be redeemed at par, under such regulations as the insular treasurer may prescribe, it shall be exempt from any tax upon said circulation.

[2657—1659.]

SEC. 1505. *Tax on insurance premiums.*—There shall be collected from every person, company, or corporation (except purely cooperative companies or associations) doing insurance business of any sort in the Philippine Islands a tax of 1 per centum of the total premiums collected during each calendar year, whether paid in money, notes, credits, or any substitute for money, but premiums refunded within six months after payment on account of rejection of risk or returned for other reason to person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company that has already paid the tax.

“Cooperative companies or associations” are such as are conducted by the members thereof with money collected from among themselves and solely for their own protection and not for profit.

[2657—1660.]

SEC. 1506. *Time for payment of tax—Increase of tax in case of delinquency.*—The tax on insurance companies shall be due on the 1st of July in each year for the preceding calendar year, and if

the same remains unpaid for 15 days thereafter the amount of the tax shall be increased by 25 per centum, the increment to be a part of the tax.

[2657—1661.]

SEC. 1507. *Yearly report from insurance company.*—Every company liable to the payment of the aforesaid tax shall, on or before the 1st day of April in each year, render a statement in writing, in such form as the collector of internal revenue shall prescribe, containing an account of the conditions of its business during the calendar year last preceding, the entire amount of all premiums and other considerations received during such year, and such additional information as the collector may require.

[2657—1662.]

SEC. 1508. *Tax on corporate franchises.*—There shall be collected in respect to all existing and future franchises, upon the gross earnings or receipts from the business covered by the law granting the franchise, such taxes, charges, and percentages as are specified in the special charters of the corporations upon whom such franchises are conferred, and for the purpose of facilitating the assessment of this tax reports shall be made by the respective holders of the franchises in such form and at such times as shall be required by the regulations of the Bureau of Internal Revenue.

The taxes, charges, and percentages on corporate franchises shall be due and payable as specified in the particular franchise, or, in case no time limit is specified therein, the provisions of section 1455 of this chapter shall apply; and if such taxes, charges, and percentages remain unpaid for 15 days from and after the date on which they must be paid, 25 per centum shall be added to the amount of such taxes, charges, and percentages, which increase shall form part of the tax.

[2657—1663.]

ARTICLE VIII.—CHARGES FOR FOREST PRODUCTS.

SEC. 1509. *Measuring of forest products and collection of charges thereon.*—The duties incident to the measuring of forest products and the collection of the charges thereon shall be discharged by the Bureau of Internal Revenue, under the regulations of said bureau.

Employees of the Bureau of Forestry may be deputed by the collector of internal revenue for the performance of duties incident to the measuring and invoicing of forest products when the director of forestry deems such course advisable for the protection of the forest revenues and is willing to supply the services of such employees at the expense of the Bureau of Forestry.

[2657—1664.]

SEC. 1510. *Mode of measuring timber.*—Except as hereinbelow provided, all timber shall be measured and manifested in the round or squared, before being sawn or manufactured. The volume of all round timber shall be ascertained by multiplying the area of the small end by the length of the log, the diameter of the log to be measured exclusive of the bark; but if the end of a log is irregular, the average diameter shall be used; and in order to ascertain the volume of a log more than 8 meters long, the diameter of the middle of said log, or the average of the diameters at both ends thereof shall be used as basis. If a log in the round, cut under license, is measured and manifested by forest officers, the director of forestry shall make due allowance for rot, cavities, or other natural defects; but from any decision of the director of forestry in this respect an appeal shall lie to his department head, whose decision shall be final. The manifest of timber cut by licensees operating sawmills in or near the forest shall be attested by forest officers whenever practicable.

Licensees with sawmills may measure their timber or cause or allow the same to be measured after it is sawn, provided they pay for each thousand board feet of lumber of the first and second groups a sum of not less than 10 pesos, and of the other groups of not less than 5 pesos, as forestry charges, in the discretion of the director of forestry and after agreement with the same, with the approval of his department head. These agreements shall be for one year, but shall be subject to renewal.

The volume of squared timber shall be ascertained by multiplying the average of the cross section measured by the length, to which 25 per centum shall be added for loss in squaring. The privilege of manifesting timber after squaring shall, however, be granted only to licensees who have squared their logs in the forest with the ax and intend to take it to the market in this form.

If sawn or otherwise manufactured timber is found which has not been manifested in accordance with the provisions hereof, the corresponding forest charges will be assessed on twice the volume of the actual contents of such sawn or manufactured timber.

[2657—1665.]

SEC. 1511. *Charges for timber cut in public forests.*—Except as otherwise specially provided, the following charges shall be made for each cubic meter of timber cut in any public forest or forest reserve in the Philippine Islands whether removed therefrom or not:

(a) On timber in the first group, not including ebony and camagon stripped of sapwood, 2 pesos and 50 centavos.

(b) On ebony stripped of sapwood, 6 pesos.

(c) On camagon stripped of sapwood, 4 pesos and 50 centavos.

(d) On timber in the second group, 1 peso and 50 centavos.

(e) On timber in the third group, not including firewood, 1 peso.

(f) On timber in the fourth group, not including firewood, 50 centavos.

[2657—1666.]

SEC. 1512. *Charges for firewood cut in public forests.*—For firewood cut in public forests and forest reserves the following charges shall be made:

For bacauan and tangal, per cubic meter, 20 centavos.

For other woods, per cubic meter, 10 centavos.

Only third or fourth group wood can be taken for firewood, except at the discretion of the director of forestry first and second group woods may be removed for firewood purposes from land which is more valuable for agricultural than for forest purposes.

[2657—1667.]

SEC. 1513. *Charges collectible for wood cut from unregistered private lands.*—The charges above prescribed shall be collected for all wood cut upon any land the title to which is not registered with the director of forestry as required by the forest law; and in the absence of such registration wood cut and removed from alleged private lands shall be considered as cut and removed under license from public forests or forest reserves, and shall be subject to the law and regulations in such case applicable.

[2657—1668.]

SEC. 1514. *Surcharge for illegal cutting and removal of forest products or for delinquency.*—Where forest products are unlawfully cut or gathered in any public forest without license or, if under license, in violation of the terms thereof, the charges for such products shall be doubled. If any such products be removed without invoice, or upon removal be discharged without permit from boat, car, cart, or other means of transportation, the charges shall be increased by 50 per cent; and if, in any case, the proper charges upon forest products be not paid within 30 days after the same shall be due and payable, such charges shall be increased by 50 per cent.

[2657—1669.]

SEC. 1515. *Charge for timber cut for use on mining claim.*—When a license is granted by the Bureau of Forestry allowing a miner or mining company to cut timber for the development of a mining claim on land other than such as is covered by his claim, the charges for timber so cut shall be one-half the prices hereinabove fixed.

[2657—1670.]

SEC. 1516. *Charges for gums, resins, and other forest products.*—On gums, resins, rattan, and other products of the forest gathered or removed from any public forest or forest reserve, and not hereinabove provided for, there shall be paid on the market value thereof, determined in the manner indicated below, a charge of 10 per cent.

The market value of the various forest products for which charges may thus be made shall be determined from time to time by a joint assessment of the collector of internal revenue and director of forestry, the same to be published for the information of the public in the official gazette. Where the value of any forest product included in this section is not determined and published in the manner specified, such product may be taken free of charge.

[2657—1671.]

SEC. 1517. (As amended by sec. 8, act No. 2835.) *Charges for stone, earth, salt and guano taken from lands under the jurisdiction of the Bureau of Forestry.*—For stone, earth, salt, or guano taken from the lands under the jurisdiction of the Bureau of Forestry such charges shall be made as may be fixed in particular cases by the director of forestry, with the approval of the department head.

[2657—1672.]

SEC. 1518. *No charge for products lawfully removed under gratuitous license.*—No charge shall be made on forest products removed in conformity with the terms of a gratuitous license of the Bureau of Forestry and in compliance with the law and the regulations of such bureau.

[2657—1673.]

SEC. 1519. *Gratuitous licensees subject to regulations of Bureau of Internal Revenue.*—Gratuitous licensees to cut first-group timber under license from the Bureau of Forestry must comply with the regulations of the Bureau of Internal Revenue in regard to the removal of such timber, and shall submit on the proper forms full invoices showing the amount cut by them.

[2657—1674.]

SEC. 1520. (As amended by sec. 9, act No. 2835.) *Time for payment of forest charges.*—Except as herein below provided, the charges for forest products shall be payable at the time of the removal of the same from the forest.

With the approval of the collector of internal revenue, lumber may be removed from a sawmill situated on a licensed cutting area upon the giving of a bond conditioned for the monthly payment of the charges due upon the output of such mill. He may also authorize the shipment of forest products under auxiliary invoices without the prepayment of charges, in special cases where the payment of the charges at the point of origin would work a great hardship and the proper charges are secured by proper bonds.

[2657—1675.]

ARTICLE IX.—TESTING AND SEALING OF WEIGHTS AND MEASURES.

SEC. 1521. *Sealing and licensing of weights and measures.*—The duties incident to the official inspection of weights and measures, and the sealing and licensing of the same for use, shall be performed under the supervision of the bureau of internal revenue.

[2657—1676.]

SEC. 1522. *Fees for sealing linear metric measures.*—Fees for sealing linear measures of the metric system shall be as follows:

(a) Measures not over one and one-half meters, 10 centavos.

(b) Measures over one and one-half meters, 20 centavos.

[2657—1677.]

SEC. 1523. *Fees for sealing English linear measures.*—Fees for sealing linear measures of the English system, allowable only when such measures are to be used in measuring manufactured lumber, shall be as follows:

(a) Measures not over 1 yard, 10 centavos.

(b) Measures over 1 yard, 20 centavos.

[2657—1678.]

SEC. 1524. *Fees for sealing metric measures of capacity.*—Fees for sealing metric measures of capacity shall be as follows:

(a) For a measure not over 10 liters, 20 centavos.

(b) For a measure over 10 liters, 30 centavos.

[2657—1679.]

SEC. 1525. *Fees for sealing metric instruments of weight.*—Fees for sealing instruments for determining weight graduated solely in the metric system shall be as follows:

(a) Those having a capacity of over 3,000 kilograms, 3 pesos.

(b) Those having a capacity of not over 3,000 but over 300 kilograms, 1 peso and 20 centavos.

(c) Those having a capacity of not over 300 but more than 30 kilograms, 60 centavos.

(d) Those with a capacity not greater than 30 kilograms, 30 centavos.

For an apothecary balance or other balance of precision the charge shall be doubled.

With each scale or balance a complete set of weights for use therewith shall be sealed free of charge. For each extra weight the charge shall be 5 centavos.

[2657—1680.]

SEC. 1526. *Form and duration of license for use of weights and measures.*—The receipt for the fee charged for the sealing of weights and measures shall serve as a license to use such instrument for one year from the date of sealing, unless deterioration or damage occurs in that period which renders the weight or measure inaccurate.

Such receipt shall be preserved by the owner and shall be exhibited on demand of any internal-revenue officer.

[2657—1681.]

SEC. 1527. *Secondary standards preserved by provincial treasurers—Testing of same.*—For use in the testing of weights and measures in the provinces, provincial treasurers shall keep full sets of secondary standards in the provincial buildings. The collector of internal revenue shall be responsible for the inspection and proper testing of all provincial and municipal standards of weight and measure.

[2657—1682.]

SEC. 1528. *Comparison of secondary and fundamental standards.*—The comparison of the secondary and fundamental standards shall be made in the Bureau of Science at the instance of the collector of internal revenue. When found to be sufficiently accurate the secondary standard shall be distinguished by a label, tag, or seal, and shall be accompanied by a certificate showing the amount of its variation from the fundamental standard. If the variation is of sufficient magnitude to impair the utility of the instrument, it shall be destroyed in the Bureau of Science.

[2657—1683.]

SEC. 1529. *Inspectors of weights and measures.*—Internal-revenue agents shall inspect and test balances or scales, weights, and measures, and report upon the condition thereof in the territory assigned to them. It shall be their duty to collect evidence of infringements of the law or of fraud in the use of weights and measures or of neglect of duty on the part of any officer engaged in sealing weights and measures. Evidence so collected by them shall be presented forthwith to the collector of internal revenue and also to the proper prosecuting officer.

[2657—1684.]

SEC. 1530. *Sealers of weights and measures.*—The sealing and licensing of weights and measures shall be the duty of the provincial treasurers and their deputies, and for the purposes of this law such officers shall be termed sealers of weights and measures.

[2657—1685.]

SEC. 1531. *Destruction of defective instrument of weight or measure.*—Any defective instrument of weight or measure may be destroyed by any inspector or sealer of weights and measures if its defect is such that it can not readily and securely be repaired.

[2657—1686.]

SEC. 1532. *Testing of instruments used in Government work.*—All measures and instruments for determining weight used in the Government work or maintained for public use by any province or municipality shall be tested and sealed free of charge.

[2657—1687.]

SEC. 1533. *Dealer's permit to keep unsealed weights and measures.*—Upon obtaining written permission from the collector of internal revenue any dealer may keep instruments of weight and measure in stock for sale without sealing, until sold or used.

[2657—1688.]

ARTICLE X.—AD VALOREM TAX ON OUTPUT OF MINES.

SEC. 1534. *Rate and basis of tax on mines.*—There shall be levied and collected on the gross output of each mine an ad valorem tax equal to $1\frac{1}{2}$ per centum of the actual market value of such output.

[2657—1689.]

SEC. 1535. *Time and manner of collection.*—The ad valorem taxes on the value of the output of mines shall be assessed and paid before the removal of any such output from the locality where it is mined. But the output of mines may be removed from such locality without the payment of such tax if the owner or concessionaire of the mine shall first file a bond, with the Bureau of Internal Revenue in the form and amount and with such sureties as the collector of internal revenue may require, conditioned upon the future payment of said tax at such time and place as the collector may direct. For the purpose of establishing a uniform basis for the assessment of this tax the collector of internal revenue shall, from time to time, make an assessment of the actual market value of the various products of the mines in the Philippine Islands subject to the tax herein imposed.

[2657—1690.]

ARTICLE XI.—TAX ON INHERITANCES, LEGACIES AND OTHER ACQUISITIONS MORTIS CAUSA.

SEC. 1536. (As amended by sec. 10, act No. 2835.) *Conditions and rate of taxation.*—Every transmission of real property located in the Philippine Islands and real rights in such property; of any franchise which must be exercised in the Philippine Islands; of any shares, obligations, or bonds issued by any corporation or “sociedad anónima” organized or constituted in the Philippine Islands in accordance with its laws; of any shares or rights in any partnership, business, or industry established in the Philippine Islands; or of any personal property located in the Philippine Islands, by virtue of inheritance, devise, bequest, gift mortis causa, or advance in anticipation of inheritance, devise, or bequest shall be subject to the following tax:

(a) When the surviving spouse, a legitimate, recognized natural, or adopted child, or legitimate descendant of any of them, is the beneficiary, 1 per centum on the inventoried property if not exceeding 50,000 pesos; $1\frac{1}{2}$ per centum upon the inventoried property if it

is in excess of 50,000 pesos and not in excess of 250,000 pesos; 2½ per centum upon the inventoried property if it is in excess of 250,000 pesos, and not in excess of 500,000 pesos, 4 per centum upon all inventoried property in an amount in excess of 500,000 pesos.

(b) When either of the legitimate parents of the deceased, or a legitimate brother or sister of the same, or the father or mother who had recognized him as a natural child, is the beneficiary, there shall be collected the same tax fixed in the paragraph next preceding, with an increase of 100 per centum.

(c) When other relatives not included in the two next preceding subsections are beneficiaries there shall be collected the tax fixed in subsection (a) with an increase of 200 per centum.

(d) When strangers are beneficiaries there shall be collected the tax fixed in subsection (a) with an increase of 300 per centum, strangers being deemed, for the purposes of this tax, those who are beyond the sixth degree of relationship by consanguinity in the collateral line and the relatives by affinity, with the exception of the spouse.

In case the property is transmitted to the heirs subject to the usufructuary interest, use, or habitation or annuity of a third person, the tax shall be based on the inventoried property less the value of the usufruct, use, or habitation or annuity determined as hereinafter provided.

[2601—1.]

SEC. 1537. *Property subject to tax.*—(Repealed by sec. 11, act No. 2835, and the following enacted in lieu thereof:)

SEC. 1537. *Payment of tax antecedent to the transfer of shares, bonds, or rights.*—There shall not be transferred to any new owner in the books of any corporation, “sociedad anónima,” partnership, business, or industry organized or established in the Philippine Islands, any shares, obligations, bonds, or rights by way of gift mortis causa, legacy, or inheritance unless it is shown that the tax fixed in this article and due thereon has been paid.

[2601—2.]

SEC. 1538. *Exemption in favor of surviving spouse and children.*—The portions of the surviving spouse, a legitimate child, and a recognized natural or adopted child, shall be wholly exempt from tax in so far as not in excess of 3,000 pesos each.

[2601—3.]

SEC. 1539. *Deductions to be made in determining net taxable amount.*—In order to determine the net sum which must bear the tax, when an inheritance is concerned, there shall be deducted the expenses of the funeral and burial of the deceased, the proper capital of the surviving spouse, and his or her part of the gains (ganan-

ciales), the proven debts, exempt portions, the judicial expenses of the testamentary or intestate proceedings, and claims against insolvent persons.

[2601—4.]

SEC. 1540. *Additions of gifts and advances.*—After the aforementioned deductions have been made there shall be added to the resulting amount the value of all gifts or advances made by the predecessor to any of those who, after his death, shall prove to be his heirs, devisees, legatees, or donees mortis causa.

[2601—4.]

SEC. 1541. *Rule of taxation when beneficiaries belong to different classes.*—When divers persons not included in the same class or group of section 1536 hereof are beneficiaries, each share shall be subject to the scale of taxation which corresponds to the person taking.

[2601—5.]

SEC. 1542. (As amended by sec. 12, act No. 2835.) *Determination of value of usufructs, annuities, and real property.*—In order to determine the value of the right of usufruct, use, or habitation, as well as that of annuity, there shall be taken into account the probable life of the beneficiary in accordance with the American Tropical Experience Table, calculated at 8 per centum annual interest. For the purpose of determining the value of real property, the assessed value as shown by the tax rolls shall be taken as the minimum.

[2601—6.]

SEC. 1543. *Exemption of certain acquisitions and transmissions.*—The following shall not be taxed:

- (a) The merger of the usufruct in the owner of the naked title.
- (b) The transmission or delivery of the inheritance or legacy by the fiduciary heir or legatee to the trustees.
- (c) The transmission from the first heir, legatee, or donee in favor of another beneficiary, in accordance with the desire of the predecessor.

In the last two cases, if the scale of taxation appropriate to the new beneficiary is greater than that paid by the first, the former must pay the difference.

[2601—7.]

SEC. 1544. (As amended by sec. 13, act No. 2835.) *When tax to be paid.*—The tax fixed in this article shall be paid:

- (a) In the cases (b) and (c) of the next preceding section, before entrance into possession of the property.
- (b) In other cases, within the six months subsequent to the death of the predecessor; but if judicial testamentary or intestate proceed-

ings shall be instituted prior to the expiration of said period, the payment shall be made by the executor or administrator before delivering each beneficiary his share.

If the tax is not paid within the period provided for in the next preceding paragraph, interest at the rate of 12 per centum per annum shall be added as part of the tax.

A certified copy of all letters testamentary or of administration shall be furnished the collector of internal revenue by the clerk of court within 30 days after their issuance.

[2601—8.]

SEC. 1545. *Beneficiary to be charged with tax on his corresponding portion.*—In the absence of contrary disposition by the predecessor, there shall be charged to the account of each beneficiary the part of the tax which pertains to him, in proportion to the value of the benefit received, and in accordance with the scale fixed for the class or group to which he pertains.

[2601—10.]

SEC. 1546. *Payment before delivery by executor or administrator.*—No judge shall authorize the executor or judicial administrator to deliver a distributive share to any party interested in the estate unless it shall appear this tax has been paid.

[2601—11.]

SEC. 1547. *Payment of tax antecedent to registration of documents.*—There shall not be registered in the registry of property any document transferring real property or real rights therein or any chattel mortgage, by way of gift mortis causa, legacy, or inheritance, unless the payment of the tax fixed in this article and actually due thereon shall be shown.

[2601—13.]

SEC. 1548. *Restitution of tax upon satisfaction of outstanding obligation.*—If, after the payment of the tax, new obligations of the testator shall appear, and the persons interested shall have satisfied them by order of the court, they shall have a right to the restitution of the proportional parts of the tax paid.

[2601—15.]

ARTICLE XII.—ADMINISTRATIVE PROVISIONS RELATIVE TO PERSONS AND ESTABLISHMENTS SUBJECT TO PRIVILEGE TAXES.

SEC. 1549. *Registration of name or style with provincial treasurer.*—Every person engaged in any business or occupation on which a privilege tax is imposed by law shall register with the provincial treasurer his name or style, place of residence, business or occupation, and the place where such business or occupation is carried on. In case of a firm the names and residences of the various persons constituting the same shall also be registered.

[2657—1691.]

SEC. 1550. *Sign to be exhibited by distiller or rectifier.*—Every person engaged in distilling or rectifying spirits, and every wholesale liquor dealer, shall keep conspicuously on the outside of his place of business a sign exhibiting, in letters not less than 6 centimeters high, his name or firm style, with the words “Registered distiller,” “Rectifier of spirits,” or “Wholesale liquor dealer,” as the case may be, and his assessment number.

[2657—1692.]

SEC. 1551. *Sign to be exhibited by manufacturer of products of tobacco.*—Every manufacturer of cigars, cigarettes, or tobacco, and every wholesale dealer in leaf tobacco or manufactured products of tobacco shall place and keep on the outside of the building wherein his business is carried on, so that it can be distinctly seen, a sign stating his full name and business in letters not less than 6 centimeters high and also giving his assessment number in figures.

[2657—1693.]

SEC. 1552. *Exhibition of certificate of payment at place of business.*—The certificate or receipt showing payment of tax issued to a person engaged in a business or occupation subject to a privilege tax shall be kept conspicuously exhibited in plain view in or at the place where the business is conducted or occupation plied; and in case of a peddler or other person not having a fixed place of business shall be kept in the possession of the holder thereof, subject to production upon the demand of any internal-revenue officer.

[2657—1694.]

ARTICLE XIII.—ADMINISTRATIVE PROVISIONS REGULATING BUSINESS OF PERSONS DEALING IN ARTICLES SUBJECT TO SPECIFIC TAX.

SEC. 1553. *Extent of supervision over establishments producing taxable output.*—The Bureau of Internal Revenue has authority to supervise establishments where articles subject to a specific tax are made, and to prescribe regulations as to the mode in which the processes of production shall be conducted in so far as may be necessary to secure a sanitary output and to safeguard the revenue.

[2657—1695.]

SEC. 1554. *Records to be kept by manufacturers—Assessments based thereon.*—The collector of internal revenue is authorized to prescribe, by regulation, the records which shall be kept by manufacturers of articles subject to specific tax, and such records, whether of raw materials received into the factory or of articles produced therein, shall be deemed public and official documents for all purposes.

The records of raw materials kept by such manufacturers may be used as a species of evidence by which to determine the amount of

specific taxes due from them, and whenever the amount of raw materials received into any factory exceeds the amount of manufactured or partially manufactured products on hand and lawfully removed from the factory, plus waste removed or destroyed, and a reasonable allowance for unavoidable loss in manufacture, the collector of internal revenue may assess and collect the tax due on the products which should have been produced from the excess.

[2657—1696.]

SEC. 1555. *Premises subject to approval by collector.*—No person shall engage in business as a manufacturer of articles subject to a specific tax unless the premises upon which the business is to be conducted shall have been approved by the collector of internal revenue.

[2657—1697.]

SEC. 1556. *Labels and form of packages prescribed by collector.*—All articles of domestic manufacture subject to a specific tax and all leaf tobacco shall be put up and prepared by the manufacturer or producer, when removed for sale or consumption, in such packages only and bearing such marks or brands as shall be prescribed in the bureau regulations; and goods of similar character imported into the islands shall likewise be packed and marked in such manner as may be required.

[2657—1698.]

SEC. 1557. *Removal of articles after payment of tax.*—When the tax has been paid on articles or products subject to a specific tax the same shall not thereafter be stored or permitted to remain in the distillery, distillery warehouse, bonded warehouse, or other factory or place where produced.

[2657—1699.]

SEC. 1558. *Storage of goods in internal-revenue bonded warehouse.*—An internal-revenue bonded warehouse may be maintained in the city of Manila for the storing of imported or manufactured goods which are subject to a specific tax. The taxes on such goods shall be payable only upon removal from such warehouse, and a reasonable charge shall be made for their storage therein. The collector of internal revenue may, in his discretion, exact a bond to secure the payment of the tax on any goods so stored.

[2657—1700.]

SEC. 1559. *Proof of exportation—Exporter's bond.*—Exporters of goods that would be subject to a specific tax if sold or removed for consumption in the Philippine Islands shall submit proof of exportation satisfactory to the collector of internal revenue, and when the same is deemed necessary, shall be required to give a bond

prior to the removal of the goods for shipment, conditioned for the exportation of the same in good faith.

[2657—1701.]

SEC. 1560. *Manufacturers' and importers' bonds.*—Manufacturers and importers of articles subject to a specific tax shall give bond in an amount equal, as nearly as can be estimated, to 20 per centum of the taxes payable by them during an average year. Such bond shall be conditioned for the faithful compliance, during the time such business is followed, with the law and regulations relating to such business and for the payment of all taxes lawfully accruing in respect to the goods manufactured or imported, as well as for the satisfaction of all fines and penalties imposed by the internal revenue law. No such bond shall be required in an amount exceeding 25,000 pesos nor be received in a sum less than 200 pesos.

[2657—1702.]

SEC. 1561. *Records to be kept by wholesale dealers.*—Wholesale dealers shall keep records of their purchases and sales or deliveries of articles subject to a specific tax, in such form as shall be prescribed in the bureau regulations. These records and the entire stock of goods subject to tax shall be open at all times to the inspection of internal-revenue officers.

[2657—1703.]

SEC. 1562. *Records to be kept by dealers in leaf tobacco.*—Dealers in leaf tobacco shall keep records of the product sold or delivered by them to other persons in such manner as may be prescribed in the regulations of the Bureau of Internal Revenue, such records to be at all times open to the inspection of internal-revenue officers.

[2657—1704.]

SEC. 1563. *Preservation of invoices and stamps.*—All dealers who-soever shall preserve all official invoices received by them from manufacturers, together with the fractional parts of stamps affixed thereto, and upon demand shall deliver or transmit the same to any internal-revenue officer.

[2657—1705.]

SEC. 1564. *Information to be given by manufacturers of distilling apparatus.*—Manufacturers of stills, boilers, or other vessels to be used for distilling shall, before any such apparatus or utensil is removed from the place of manufacture, give written information to the collector of internal revenue as to the nature and capacity of the same, the time when it is to be removed, and the place for which it is destined, as well as the name of the person by whom it is to be used; and such still, boiler, or vessel shall not be set up without a permit in writing from the collector of internal revenue.

[2657—1706.]

SEC. 1565. *Establishment of distillery warehouses.*—Every distiller, when so required by the collector of internal revenue, shall provide at his own expense a warehouse, to be situated on and to constitute a part of his distillery premises and to be used only for the storage of distilled spirits of his own manufacture until the tax thereon shall have been paid; but no dwelling house shall be used for such purpose. Such warehouse, when approved by the collector of internal revenue, is hereby declared to be a bonded warehouse, to be known as a distillery warehouse.

[2657—1707.]

SEC. 1566. *Custody of distillery warehouse.*—Every distillery warehouse shall be in the joint custody of the storekeeper, if one is assigned thereto, and of the proprietor thereof. It shall be kept securely locked, and shall at no time be unlocked or opened or remain unlocked or open unless in the presence of such storekeeper or other person who may be designated to act for him as provided by law.

[2657—1708.]

SEC. 1567. *Limitation on quantity of spirits removed from warehouse.*—No distilled spirits shall be removed from any distillery, distillery warehouse, or bonded warehouse in quantities of less than 15 gauge liters at any one time, except bottled goods, which may be removed by the case of not less than 12 bottles.

[2657—1709.]

SEC. 1568. *Requirements incident to process of denaturing alcohol.*—Where alcohol is withdrawn for denaturing for use in the arts and industries, the process of denaturing shall be effected either on the distillery premises or in a bonded warehouse designated by the collector of internal revenue for denaturing purposes only. To such warehouses alcohol may be transferred under bond and under conditions prescribed in the bureau regulations.

[2657—1710.]

SEC. 1569. *Recovery of alcohol for use in arts and industries.*—Manufacturers employing processes in which denatured alcohol used in arts and industries is expressed or evaporated from the articles manufactured may, under regulations to be prescribed by the bureau, be permitted to recover the alcohol so used and restore it again to a condition suitable solely for use in manufacturing processes.

[2657—1711.]

SEC. 1570. *Supervision over rectification and compounding of liquors.*—Persons engaged in the rectification or compounding of liquors shall, as to the mode of conducting their business and supervision over the same, be subject to all the requirements of law applicable to distilleries, but if they make use of spirits upon which

the specific tax has been paid no further tax shall be collected on any liquors produced exclusively therefrom.

[2657—1712.]

SEC. 1571. *Authority of officer in searching for taxable articles.*—Any officer or agent of internal revenue may in the discharge of his official duties enter any house, building, or place where articles subject to an internal-revenue tax are produced or kept, or are believed by him upon reasonable grounds to be produced or kept, so far as may be necessary to examine or discover the same.

[2657—1713.]

SEC. 1572. *Detention of package containing taxable articles.*—Any revenue officer may detain any package containing or supposed to contain articles subject to a specific tax when he has good reason to believe that the lawful tax has not been paid or that the package has been or is being removed in violation of law, and every such package shall be held by such officer in a safe place until it shall be determined whether the property so detained is liable by law to be proceeded against for forfeiture: but such summary detention shall not continue in any case longer than seven days without process of law or intervention of the officer to whom such detention is to be reported.

[2657—1714.]

SEC. 1573. *Inscription to be placed on skimmed milk.*—All condensed skimmed milk and all milk, in whatever form, from which the fatty part has been removed totally or in part, sold or put on sale in the Philippine Islands, shall be clearly and legibly marked on its immediate containers, and in all the languages in which such containers are marked, with the words, "This milk is not suitable for nourishment for infants less than 1 year of age," or with other equivalent words.

[2657—1715.]

ARTICLE XIV.—ADMINISTRATIVE PROVISIONS RELATIVE TO PROHIBITED DRUGS.

SEC. 1574. *Words and phrases defined.*—"Prohibited drug," as herein used, includes opium, cocaine, alpha and beta eucaine, their derivatives, and all preparations made from them.

"Opium" embraces every kind, class, and character of opium, whether crude, prepared, ash, or refuse, and all narcotic preparations thereof or therefrom, and all morphine or alkaloids of opium and all preparations in which opium, morphine, or any alkaloid of opium enters as an ingredient, together with all opium leaves and wrappings of opium leaves, whether such leaves or wrappings are prepared for use or not.

[2657—1716.]

SEC. 1575. *Lawful possession and uses of prohibited drugs specified.*—Prohibited drugs may be lawfully kept, used, administered, and dealt in under the following conditions and by the following persons only:

(a) Duly licensed and practicing physicians, dentists, and veterinarians may, in the proper course of their professional practice only, prescribe and administer, or cause to be administered, prohibited drugs as medicine or anesthetic, and may receive and keep the same in their possession for such use.

(b) Government bureaus or officers of the Government duly designated in writing for such purpose by the governor general may receive, keep, use, and dispose of such drugs in accordance with law, and the same may be lawfully sold, transferred, or delivered to them.

(c) Pharmacists and second-class pharmacists may receive, keep, and dispense prohibited drugs upon the prescription of a duly licensed and practicing physician, dentist, or veterinarian, and upon permit from the collector of internal revenue may transfer and deliver the same to other pharmacists and second-class pharmacists or to any person or institution lawfully authorized to receive the same.

[2657—1717.] (Reference: See act No. 2762, sec 2 (e).)

SEC. 1576. *Importation of opium—Storage of same.*—Opium shall be imported only by the Philippine Government through the Bureau of Internal Revenue; and all imported opium, after the payment of duties, taxes, and charges, shall be delivered by the customs authorities to the collector of internal revenue for storage in a place to be approved by him. Except in case of fire or similar necessity, opium so stored shall be removed only for delivery to a person authorized to receive the same, and before removal from storage the drug shall be marked or labeled in such manner as may be prescribed in the regulations of the bureau.

A reasonable charge may be made for such storage, to be paid before the opium is removed.

[2657—1718.]

SEC. 1577. *Record to be kept by pharmacists—Inspection of same.*—Physicians, dentists, veterinarians, pharmacists, and second-class pharmacists shall keep true and correct records of all prohibited drugs received and dispensed or transferred by them, in such form and manner as may be prescribed in the regulations of the Bureau of Internal Revenue.

Such record and the stock of prohibited drugs on hand shall be subject to inspection at all times by the duly authorized officers and agents of the Bureau of Internal Revenue.

[2657—1719.]

ARTICLE XV.—REMEDIES IN GENERAL.

SEC. 1578. *Injunction not available to restrain collection of tax.*—No court shall have authority to grant an injunction to restrain the collection of any internal-revenue tax.

[2657—1720.]

SEC. 1579. *Recovery of tax paid under protest.*—When the validity of any tax is questioned, or its amount disputed, or other question raised as to liability therefor, the person against whom or against whose property the same is sought to be enforced shall pay the tax under instant protest, or upon protest within 10 days, and shall thereupon request the decision of the collector of internal revenue. If the decision of the collector of internal revenue is adverse, or if no decision is made by him within six months from the date when his decision was requested, the taxpayer may proceed, at any time within two years after the payment of the tax, to bring an action against the collector of internal revenue for the recovery without interest of the sum alleged to have been illegally collected, the process to be served upon him, upon the provincial treasurer, or upon the officer collecting the tax.

[2657—1721.]

SEC. 1580. *Action to contest forfeiture of chattel.*—In case of the seizure of personal property under claim of forfeiture the owner, desiring to contest the validity of the forfeiture, may at any time before sale or destruction of the property bring an action against the person seizing the property or having possession thereof to recover the same, and upon giving proper bond may enjoin the sale; or after the sale and within six months he may bring an action to recover the net proceeds realized at the sale.

[2657—1722.]

SEC. 1581. *Form and mode of proceeding in actions arising under internal revenue law.*—Civil actions and proceedings instituted in behalf of the Government under the authority of this chapter or other law enforced by the Bureau of Internal Revenue shall be brought in the name of the Government of the Philippine Islands and shall be conducted by the provincial fiscal or the attorney general, or by any person designated by the latter; but no civil action for the recovery of taxes or the enforcement of any fine, penalty, or forfeiture under any such law shall be begun without the approval of the collector of internal revenue.

[2657—1723.]

SEC. 1582. (As amended by sec. 14, act No. 2835.) *Authority of collector to make compromises and to refund taxes.*—The collector of internal revenue may compromise any civil or other case arising under this chapter or other law or part of law administered by the

Bureau of Internal Revenue, may refund taxes erroneously or illegally received, or penalties imposed without authority, and may remit before payment any tax that appears to be unjustly assessed or excessive.

He shall refund the value of internal-revenue stamps when the same are returned in good condition by the purchaser, and may, in his discretion, redeem or exchange unused stamps that have been rendered unfit for use, and may refund their value upon proof of destruction.

[2657—1724.]

SEC. 1583. *Satisfaction of judgment recovered against treasurer or other officer.*—When an action is brought against any revenue officer to recover damages by reason of any act done in the performance of official duty, and the collector of internal revenue is notified of such action in time to make defense against the same, through the attorney general, any judgment, damages, or costs recovered in such action shall be satisfied by the collector of internal revenue upon approval of the department head; or if the same be paid by the person sued, shall be repaid or reimbursed to him.

No such judgment, damages, or costs shall be paid or reimbursed in behalf of a person who has acted negligently or in bad faith, or with willful oppression.

[2657—1725.]

SEC. 1584. *Remedy for enforcement of statutory penal provisions.*—The remedy for enforcement of statutory penalties of all sorts shall be by criminal or civil action, as the particular situation may require.

[2657—1726.]

SEC. 1585. *Remedy for enforcement of forfeitures.*—The forfeiture of chattels and removable fixtures of any sort shall be enforced by the seizure and sale, or destruction, of the specific forfeited property. The forfeiture of real property shall be enforced by a judgment of condemnation and sale in a legal action or proceeding, civil or criminal, as the case may require.

[2657—1727.]

SEC. 1586. *When property to be sold or destroyed.*—Sales of forfeited chattels and removable fixtures shall be effected, so far as practicable, in the same manner and under the same conditions as to public notice and the time and manner of sale as are prescribed for sales of personal property distrained for the nonpayment of taxes.

Prohibited drugs, opium apparatus, liquors, cigars, cigarettes, and other manufactured products of tobacco, and all apparatus used in or about the illicit production of such articles may, upon forfeiture, be destroyed by order of the collector of internal revenue, when the

sale of the same for consumption or use would be injurious to the public health or prejudicial to the enforcement of the law.

Forfeited property shall not be destroyed until at least 20 days after seizure.

[2657—1728.]

SEC. 1587. *Disposition of funds recovered in legal proceedings or obtained from forfeitures.*—All judgments and moneys recovered and received for taxes, costs, forfeitures, fines, and penalties shall be paid to the collector of internal revenue or his authorized deputies as the taxes themselves are required to be paid, and, except as specially provided, shall be accounted for and dealt with in the same way.

[2657—1729.]

ARTICLE XVI.—CIVIL REMEDIES FOR COLLECTION OF TAXES.

SEC. 1588. (As amended by sec. 29, act No. 2833.) *Nature and extent of tax lien.*—Every internal-revenue tax on property or on any business or occupation, and every tax on resources and receipts, and any increment to any of them incident to delinquency, shall constitute a lien superior to all other charges or liens not only on the property itself upon which such tax may be imposed, but also upon the property used in any business or occupation upon which the tax is imposed and upon all property rights therein.

The lien of the tax on inheritances, legacies, and other acquisitions mortis causa shall have preference over any real right created thereon subsequent to the death of the predecessor, but this preference will be extinguished at the end of five years from the date when the tax becomes payable upon real property, and three years upon any other kind of property.

If any person, corporation, partnership, joint-account (*cuenta en participación*), association, or insurance company liable to pay the income tax neglects or refuses to pay the same after demand, the amount shall be a lien in favor of the government of the Philippine Islands from the time when the assessment was made by the collector of internal revenue until paid, with interest, penalties, and cost that may accrue in addition thereto upon all property and rights to property belonging to the taxpayer: *Provided*, That this lien shall not be valid against any mortgagee, purchaser, or judgment creditor until notice of such lien shall be filed by the collector in the office of the clerk of the court of first instance having jurisdiction over the property subject to tax.

[2657—1730.]

SEC. 1589. *Civil remedies for collection of delinquent taxes.*—The civil remedies for the collection of internal-revenue taxes and any

increment thereto resulting from delinquency shall be (a) by distraint of personal property, and upon exhaustion thereof by levy upon real property, and (b) by legal action. Either of these remedies or both simultaneously may be pursued in the discretion of the authorities charged with the collection of such taxes; but the civil remedy for the collection of the cedula tax shall be exclusively by distraint.

No exemption shall be allowed against the internal-revenue taxes in any case.

[2657—1731.]

SEC. 1590. *Distraint of personal property.*—The remedy by distraint shall proceed as follows: Upon the failure of the person owing any delinquent tax or delinquent revenue to pay the same, at the time required, the collector of internal revenue or his deputy may seize and distraint any personal property belonging to such person or any property subject to the tax lien, in sufficient quantity to satisfy the tax, or charge, together with any increment thereto incident to delinquency, and the expenses of the distraint.

[2657—1732.]

SEC. 1591. *Mode of procedure and disposition of proceeds.*—The officer levying the distraint shall make or cause to be made an account of the goods, or effects distrained, a copy of which, signed by himself, shall be left either with the owner or person from whose possession such goods or effects were taken, or at the dwelling or place of business of such person and with some one of suitable age and discretion, to which list shall be added a statement of the sum demanded and note of the time and place of sale; and the said officer shall forthwith cause a notification to be exhibited in not less than two public places in the municipality where the distraint is made, specifying the time and place of sale and the articles distrained. The time of sale shall not be less than 20 days after notice to the owner or possessor of the property as above specified and the publication or posting of such notice. One place for the posting of such notice shall be at the office of the president of the municipality in which the property is distrained. At the time and place fixed in such notice the said officer shall sell the goods, chattels, credits or effects, so distrained, at public auction, to the highest bidder for cash.

Any residue over and above what is required to pay the entire claim, including expenses, shall be returned to the owner of the property sold. The expenses chargeable upon such seizure and sale shall embrace only the actual expense of seizure and preservation of the property pending the sale, and no charge shall be imposed for the services of the local internal-revenue officer or his deputy.

[2657—1733.]

SEC. 1592. *Release of distrained property upon payment prior to sale.*—If at any time prior to the consummation of the sale all proper charges are paid to the officer conducting the sale, the goods or effects distrained shall be restored to the owner.

[2657—1734.]

SEC. 1593. *Report of sale to Bureau of Internal Revenue.*—Within two days after the sale the officer making the same shall make a report of his proceedings in writing to the collector of internal revenue and shall himself preserve a copy of such report as an official record.

[2657—1735.]

SEC. 1594. *Purchase by Government at sale upon distraint.*—When property advertised for sale under distraint is of a kind subject to the tax and the tax has not been paid, and the amount bid for such property is not equal to the amount of the tax or is very much less than the actual market value of the articles offered for sale, the provincial treasurer may purchase the same in behalf of the Insular Government for the amount of taxes, penalties, and costs due thereon.

Property so purchased may be resold by the provincial treasurer, subject to the regulations of the Bureau of Internal Revenue, the net proceeds being paid into the insular treasury and accounted for as internal revenue.

[2657—1736.]

SEC. 1595. *Levy on real estate after exhaustion of personalty.*—When personal effects sufficient to satisfy the entire claim are not found, recourse may be had to a levy upon any real property belonging to the delinquent.

To this end the provincial treasurer of the province wherein the tax accrued shall prepare a duly authenticated certificate showing the name of the taxpayer and the amounts of the tax and penalty due from him. Said certificate shall operate with the force of a legal execution throughout the province and, if indorsed by the collector of internal revenue, shall have such force throughout the Philippine Islands. Levy shall be effected by writing upon said certificate a description of the property upon which levy is made. At the same time written notice of the levy shall be mailed to or served upon the delinquent or, if he be absent from the islands, to his agent or the manager of the business in respect to which the liability arose, or if there be none such to the occupant of the property in question.

[2657—1737.]

SEC. 1596. *Advertisement and sale.*—Within 20 days after levy the officer conducting the proceedings shall proceed to advertise the property or so much thereof as may be necessary to satisfy the claim

and costs of sale; and such advertisement shall cover a period of at least 30 days. It shall be effectuated by posting a notice at the main entrance of the municipal building and in a public and conspicuous place in the barrio in which the real estate lies, and by publication once a week for three weeks in a newspaper of general circulation published in the municipality or city where the property is located, if there be such paper.

The advertisement shall contain a statement of the amount of taxes and penalties so due and the time and place of sale, the name of the taxpayer against whom the taxes are levied, and a short description of the property to be sold. At any time before the day fixed for the sale the taxpayer may discontinue all proceedings by paying the taxes, penalties, and interest. If he does not do so, the sale shall proceed and shall be held either at the main entrance of the municipal building or on the premises to be sold, as the officer conducting the proceedings shall determine and as the notice of sale shall specify.

Within five days after the sale a return of the proceedings shall be entered upon the records of the provincial treasurer; and the provincial treasurer shall then make out and deliver to the purchaser a certificate from his records, showing the proceedings of the sale, describing the property sold, stating the name of the purchaser, and setting out the exact amount of all public taxes, penalties, and interest.

[2657—1738.]

SEC. 1597. *Redemption by delinquent.*—Within one year from the date of sale the delinquent taxpayer, or anyone for him, shall have the right of paying to the provincial treasurer the amount of the public taxes, penalties, and interest thereon from the date of delinquency to the date of sale, together with interest on said purchase price at the rate of 15 per centum per annum from the date of purchase to the date of redemption; and such payment shall entitle the person paying to the delivery of the certificate issued to the purchaser and a certificate from the said treasurer that he has thus redeemed the property, and the treasurer shall forthwith pay over to the purchaser the amount by which such property has thus been redeemed, and said property thereafter shall be free from the lien of such taxes and penalties.

[2657—1739.]

SEC. 1598. *Final deed to purchaser.*—In case the taxpayer shall not redeem the property as above provided, the provincial treasurer shall, as grantor, execute a deed conveying to the purchaser so much of the property against which the taxes have been assessed as has been sold, free from all liens of any kind whatsoever, and the deeds shall succinctly recite all the proceedings upon which the validity of the sale depends.

[2657—1740.]

SEC. 1599. *Forfeiture to Government for want of bidder.*—In case there is no bidder for real property exposed for sale as hereinabove provided or if the highest bid is for an amount insufficient to pay the taxes, penalties, and costs, the provincial treasurer shall declare the property forfeited to the Government in satisfaction of the claim in question and within two days thereafter shall make a return of his proceedings and the forfeiture, which shall be spread upon the records of his office.

Within one year from the date of such forfeiture the taxpayer, or anyone for him, may redeem said property by paying to the provincial treasurer the full amount of the taxes and penalties, together with interest thereon and costs of sale; but if the property be not thus redeemed, the forfeiture shall become absolute.

[2657—1741.]

SEC. 1600. *Resale of real estate taken for taxes.*—The collector of internal revenue shall have charge of any real estate obtained by the government of the Philippine Islands in payment or satisfaction of debts, taxes, penalties, or costs arising under the internal revenue law or in compromise or adjustment of any claim therefor; and said collector may upon the giving of not less than 20 days' notice sell and dispose of the same at public auction, or with the prior approval of the department head, may dispose of the same at private sale. In either case the proceeds of the sale shall be deposited in the Philippine treasury, and an account of the same shall be rendered to the auditor.

[2657—1742.]

SEC. 1601. *Further distraint or levy.*—The remedy by distraint of personal property and levy on realty may be repeated if necessary until the full amount due, including all expenses, is collected.

[2657—1743.]

RATIFICATION OF INTERNAL-REVENUE TAXES.

ACTS OF CONGRESS.

CHAP. 101.—An Act Making appropriations to supply urgent deficiencies in the appropriations for the fiscal year ending June thirtieth, nineteen hundred and nine.

* * * * *

WAR DEPARTMENT.

That the internal-revenue taxes imposed by the Philippine government and collected under sections one hundred and nine and one hundred and thirty-nine of Act Numbered Eleven hundred and eighty-nine of the Philippine Commission, and under Acts Numbered Fourteen hundred and sixty-one and Seventeen hundred and sixty-one of the Philippine Commission are hereby legalized and ratified, and the collection of all such taxes heretofore or hereafter is hereby legalized and ratified and confirmed as fully to all intents and purposes as if the same had by prior Act of Congress been specifically authorized and directed.

* * * * *

(Approved Feb. 9, 1909, Public No. 222, 35 Stat. L., p. 614.)

CHAP. 147.—An Act Making appropriations to supply deficiencies in appropriations for the fiscal year nineteen hundred and fifteen and for prior years, and for other purposes.

* * * * *

WAR DEPARTMENT.

INTERNAL-REVENUE TAXES, PHILIPPINE ISLANDS.

The internal-revenue taxes imposed by the Philippine Legislature under the law enacted by that body on December twenty-third, nineteen hundred and fourteen, as amended by the law enacted by it on January sixteenth, nineteen hundred and fifteen, are hereby legalized and ratified, and the collection of all such taxes heretofore or hereafter is hereby legalized, ratified, and confirmed as fully to all intents and purposes as if the same had by prior Act of Congress been specifically authorized and directed.

* * * * *

(Approved Mar. 4, 1915, Public No. 296, 38 Stat. L., p. 1138.)

CHAP. 92.—An Act Making appropriations to supply additional urgent deficiencies in appropriations for the fiscal year ending June thirtieth, nineteen hundred and eighteen, on account of war expenses and for other purposes.

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WAR DEPARTMENT.

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BUREAU OF INSULAR AFFAIRS.

The taxes imposed by the Philippine Legislature in section fourteen hundred and fifty-nine of the Act Numbered Twenty-seven hundred and eleven, enacted by that body on March tenth, nineteen hundred and seventeen, are hereby legalized and ratified, and the collection of all such taxes heretofore or hereafter is legalized, ratified, and confirmed hereby as fully to all intents and purposes as if the same by prior Act of Congress specifically had been authorized and directed.

* * * * *

(Approved June 4, 1918, Public No. 164, 40 Stat. L., p. 594.)

CHAP. 253.—An Act Making appropriations to supply deficiencies in appropriations for the fiscal year ending June 30, 1920, and prior fiscal years, and for other purposes.

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WAR DEPARTMENT.

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BUREAU OF INSULAR AFFAIRS.

The taxes imposed by the Philippine Legislature in section 1614 of the Act Numbered 2657, enacted by that body on February 24, 1916, are legalized and ratified, and the collection of all such taxes made under or by authority of such Act of the Philippine Legislature is legalized, ratified, and confirmed as fully to all intents and purposes as if the same had by prior Act of Congress been specifically authorized and directed.

* * * * *

(Approved June 5, 1920, Public No. 264, 41 Stat. L., p. 1015.)

OFFENSES AGAINST INTERNAL-REVENUE LAWS.

[From Administrative Code, 1917.]

Chapter 66.—OFFENSES CONNECTED WITH ADMINISTRATION OF VARIOUS BUREAUS AND OFFICES.

* * * * *

ARTICLE XII.—*Offenses connected with administration of Bureau of Internal Revenue.*

- SEC. 2714. Statutory offenses of officers and employees.
- SEC. 2715. Reward of informer.
- SEC. 2716. Unlawful divulgence of trade secrets.
- SEC. 2717. Unlawful interest of revenue officer in business.
- SEC. 2718. Delinquency in payment of cedula tax.
- SEC. 2719. Unlawful use of cedula certificate.
- SEC. 2720. Falsification or counterfeiting of stamp or cedula certificate.
- SEC. 2721. Failure to affix and cancel documentary stamps and destroy internal-revenue stamps and labels.
- SEC. 2722. Unlawful pursuit of business or occupation.
- SEC. 2723. Failure to make true return of receipts and sales.
- SEC. 2724. Unlawful use of denatured alcohol.
- SEC. 2725. Forfeiture of goods illegally stored or removed.
- SEC. 2726. Forfeiture of property used in unlicensed business.
- SEC. 2727. Unlawful removal of articles without payment of tax.
- SEC. 2728. Punishment for subsequent offense.
- SEC. 2729. Unlicensed signs, signboards, or billboards.
- SEC. 2730. Shipment of liquor or tobacco under false name or brand.
- SEC. 2731. Procuring unlawful divulgence of trade secrets.
- SEC. 2732. Fraudulent practices relative to weights and measures.
- SEC. 2733. Unlawful possession or use of instrument not sealed within 12 months.
- SEC. 2734. Alteration or fraudulent use of instrument of weight or measure.
- SEC. 2735. Payment of informers.
- SEC. 2736. Illegal sale of skimmed milk.
- SEC. 2737. Unlawful removal of mining products.
- SEC. 2738. Failure to keep pharmacist's record.
- SEC. 2739. Unlawful delivery of property or transfer of shares, obligations, bonds, or rights subject to inheritance tax.
- SEC. 2740. Concealment of property subject to inheritance tax.
- SEC. 2741. Violation of internal-revenue law or regulation in general.

* * * * *

ARTICLE XII.—OFFENSES CONNECTED WITH ADMINISTRATION OF BUREAU OF INTERNAL REVENUE.

SEC. 2714. *Statutory offenses of officers and employees.*—Every officer, agent, or employee of the Bureau of Internal Revenue who is guilty of any delinquency hereinbelow specified, or who falls within

any of the classes hereinbelow indicated, shall be punished by a fine of not less than 400 pesos nor more than 10,000 pesos, or by imprisonment for not less than six months nor more than five years, or both.

(a) Those guilty of extortion or willful oppression under color of law.

(b) Those who knowingly demand other or greater sums than are authorized by law or receive any fees, compensation, or reward, except as by law prescribed, for the performance of any duty.

(c) Those who willfully neglect to give receipts, as by law required, for any sums collected in the performance of duty, or who willfully neglect to perform any of the duties enjoined by law.

(d) Those who conspire or collude with another or others to defraud the revenues or otherwise violate the law.

(e) Those who willfully make opportunity for any person to defraud the revenues, or who do or omit to do any act with intent to enable any other person to defraud the revenues.

(f) Those who negligently or designedly permit the violation of the law by any other person.

(g) Those who make or sign any false entry or entries in any book, or make or sign any false certificate or return in any case where the law requires the making by them of such entry, certificate, or return.

(h) Those who, having knowledge or information of a violation of the internal-revenue law or of any fraud committed on the revenues collectible by the Bureau of Internal Revenue, fail to report such knowledge or information to their superior officer, or to report as otherwise required by law.

(i) Those who, without the authority of law, demand or accept, or attempt to collect, directly or indirectly as payment or otherwise, any sum of money or other thing of value for the compromise, adjustment, or settlement of any charge or complaint for any violation or alleged violation of law.

[2657—2702.]

SEC. 2715. *Reward of informer.*—In case of a conviction under the preceding section one-half of any fine imposed shall be for the use of the Insular Government and the other half for the use of the informer, who shall be ascertained and named in the judgment of the court.

[2657—2703.]

SEC. 2716. (As amended by sec. 30, act No. 2833.) *Unlawful divulgence of trade secrets.*—Any officer or employee of the Bureau of Internal Revenue who divulges to any person or makes known in any other manner than may be provided by law information regarding the busi-

ness or income of any taxpayer, the secrets, operation, style of work, or apparatus of any manufacturer or producer, or confidential information regarding the business of any taxpayer, knowledge of which was acquired by him in the discharge of his official duties, shall be fined in a sum not more than 2,000 pesos or be imprisoned for a term of not less than six months nor more than five years, or both.

[2657—2704.]

SEC. 2717. (As amended by sec. 15, act No. 2835.) *Unlawful interest of revenue officers in business.*—Any internal-revenue officer who is or shall become interested, directly or indirectly, in the manufacture, sale, export, or import of manufactured tobacco, snuff, cigars, or cigarettes, or in the distilling, repacking, sale, import, export, rectification, or redistillation of distilled spirits, or in the manufacture, repacking, export, import, or sale of fermented liquors, or in the manufacture or sale of any scale or balance, weight, or measure, shall be fined in a sum not less than 400 pesos nor more than 10,000 pesos.

[2657—2705.]

SEC. 2718. *Delinquency in payment of cedula tax.*—A person liable to the cedula tax who remains delinquent in the payment of the same for 15 days after June 1 of each year, and who upon demand of the provincial treasurer fails thereafter to pay such tax as required by law, shall be deemed to be guilty of a misdemeanor; and the provincial treasurer may, in his discretion, cause the delinquent to be prosecuted before the justice of the peace of the municipality in which the delinquent shall be found, and upon conviction the person so delinquent shall be sentenced to imprisonment for five days for each unpaid cedula.

Persons so convicted shall be required to labor for the period of imprisonment, either for the province, municipality, or township upon public works in such manner as may be directed by the provincial board; and upon the termination of such period of imprisonment or labor a cedula certificate shall be issued to the person so convicted as if the tax had been paid in money. But at any time after sentence is passed, and before the labor is fully rendered in obedience thereto, the defendant shall have the right to pay the entire amount of the delinquent tax, together with the costs of the trial, or, if he be declared insolvent, the amount of the delinquency only; and thereupon he shall be discharged and a cedula shall be issued to him as in other cases.

In any prosecution for the nonpayment of the cedula tax, proof showing that such tax was not paid in the municipality, township, or city where the defendant resides shall be sufficient to convict in the absence of proof on his part showing that the tax was lawfully paid in some other place or province.

In prosecutions arising under this section in Mindoro, Palawan, and Batanes the delinquent shall in all cases be originally tried in a court of inferior jurisdiction established in the municipality or township, or before the nearest court of the same category, if there be none in the municipality or township, or if the delinquent resides outside of the limits thereof; and the defendant shall be entitled to appeal to the competent court of first instance.

[2657—2706.]

SEC. 2719. *Unlawful use of cedula certificate.*—Any person who uses, attempts to use, or has in his possession with intent to defraud the revenues, deceive the courts, or mislead any revenue officer or other person, any cedula certificate issued to any other person shall be fined in a sum not exceeding 200 pesos or be imprisoned for a term not exceeding six months.

[2657—2707.]

SEC. 2720. *Falsification or counterfeiting of stamp or cedula certificate.*—Any person who makes, sells, or uses any false or counterfeit stamp or cedula, or any die for printing or making stamps or cedulas, which is in imitation of or purports to be a lawful stamp, cedula, or die of the kind required by the provisions of the internal-revenue law, or who erases the cancellation marks on any stamp previously used, or who alters the written or printed figures or letters or cancellation marks on any stamp previously used, or who has in his possession any such false, counterfeit, restored, or altered stamp, die, or cedula for the purpose of using the same in the payment of internal revenue or in securing any exemption or privilege conferred by the internal-revenue law, or who procures the commission of any such offense by another, shall for each offense be fined in a sum not less than 200 pesos nor more than 5,000 pesos, and imprisoned for a term not less than two months nor more than five years.

[2657—2708.]

SEC. 2721. (As amended by sec. 16, act No. 2835.) *Failure to affix and cancel documentary stamps and destroy internal-revenue stamps and labels.*—Any person who fails to affix and cancel the requisite stamp or stamps to any document at the time required by law shall be subject to a fine of not more than 300 pesos. Any person who gives away or accepts from another, or who sells, buys, or uses any container on which the stamps or labels are not utterly destroyed, shall for each such offense be fined in a sum of not less than 20 pesos nor more than 300 pesos, or by imprisonment for a term not exceeding seven months, or both, at the discretion of the court. Any internal-revenue officer may destroy any emptied container upon which an internal-revenue stamp or official tax-paid label is found still undestroyed.

[2657—2709.]

SEC. 2722. (As amended by sec. 17, act No. 2835.) *Unlawful pursuit of business or occupation.*—Any person who distills, rectifies, repacks, or sells at wholesale or retail any liquor or wines, manufactured tobacco, snuff, cigars, or cigarettes, or who deals in any manufactured product of tobacco, without having paid the privilege tax therefor as required by law, or who knowingly aids or abets in the conduct of illicit distilling operations, or illicit manufacture of tobacco products, shall, in addition to being liable for the payment of such tax, be punished by a fine in a sum not less than 200 pesos nor more than 2,000 pesos, or by imprisonment for a term not exceeding six months, or both; and in the case of a distiller, repacker, or rectifier of spirits or manufacturer of any products of tobacco so offending, all distilled spirits and all stills or other apparatus fit or intended for the distillation, repacking, or rectification of spirits, or for the compounding of liquors, or for the manufacture of any products of tobacco, owned by such person, wherever found, and all distilled spirits or wines or manufactured tobacco and personal property found at the distillery, repacking, or rectifying establishment or at the tobacco factory or in any building, room, yard, or inclosure connected therewith and used with or constituting a part of the premises on which the distilling, repacking, or rectifying of distilled spirits or manufacturing of tobacco is carried on; and all the right, title, and interest of such person in the lot or tract of land on which such distillery, repacking, or rectifying establishment or tobacco factory is situated, and all the right, title, and interest therein of every person who knowingly or with negligence has suffered or permitted the business of a distiller, repacker, or rectifier of spirits or manufacturer of tobacco to be there carried on or has connived at the same, shall be forfeited to the Government.

Any person who carries on any other business, or pursues any calling for which a fixed privilege tax is imposed without paying such tax as required by law or who knowingly aids or abets in the conduct of such business, shall in addition to being liable to the payment of such tax be punished by a fine in a sum not exceeding 1,000 pesos or by imprisonment for a term not exceeding six months, or both.

[2657—2710.]

SEC. 2723. *Failure to make true return of receipts and sales.*—Any person who, being required by law to make a return of the amount of his receipts, sales, or business, shall fail or neglect to make such return within the time required shall be punished by a fine not exceeding 2,000 pesos or by imprisonment for a term not exceeding one year, or both. And any such person who shall make

a false or fraudulent return shall be punished by a fine not exceeding 10,000 pesos or by imprisonment for a term not exceeding two years, or both.

[2657—2711.]

SEC. 2724. *Unlawful use of denatured alcohol.*—Any person who, for the purpose of manufacturing any beverage, uses denatured alcohol or alcohol withdrawn from bond for industrial uses, or who knowingly sells any beverage made in whole or in part from such alcohol, or who uses such alcohol for the manufacture of liquid medicinal preparations, or knowingly sells such preparations containing as an ingredient such alcohol, shall on conviction be fined not more than 1,000 pesos or be imprisoned for not more than one year, or both.

Any person who shall unlawfully recover or attempt to recover by redistillation or other process any denatured alcohol or who knowingly uses, sells, conceals, or otherwise disposes of alcohol so recovered or redistilled shall be subject to the same penalty as above provided.

[2657—2712.]

SEC. 2725. *Forfeiture of goods illegally stored or removed.*—All articles subject to a specific tax which are stored or allowed to remain in a distillery, distillery warehouse, bonded warehouse, or other place where made, after the tax thereon has been paid, shall be forfeited; and all such articles unlawfully removed from any such place without the payment of the required tax shall likewise be forfeited.

[2657—2713.]

SEC. 2726. *Forfeiture of property used in unlicensed business.*—All chattels, machinery, and removable fixtures of any sort used in the production of distilled spirits, cigars, cigarettes, or other manufactured products of tobacco, when the required tax has not been paid for such business, shall be forfeited.

[2657—2714.]

SEC. 2727. *Unlawful removal of articles without payment of tax.*—Any manufacturer, owner, or person in charge of any article subject to a specific tax who removes or allows or procures the unlawful removal of any such article from the place of manufacture or bonded warehouse upon which article the specific tax has not been paid in the time and manner required, and every person who knowingly aids or abets in the removal of such articles as aforesaid, or conceals the same after illegal removal, shall for the first offense be punished by a fine of not more than 1,000 pesos or imprisonment not longer than six months, or both.

Every manufacturer so offending shall, before continuing or resuming business, execute a bond in double the amount of his original bond and containing the same conditions.

[2657—2715.]

SEC. 2728. *Punishment for subsequent offense.*—In case of reincident the offender under the preceding section shall be punished by imprisonment for not less than one month nor more than two years; and if the offense be committed by the owner or the manufacturer, or by his connivance, the factory and the ground upon which it stands, including the machinery and apparatus used in and about the business, shall be forfeited to the Government.

[2657—2716.]

SEC. 2729. *Unlicensed signs, signboards, or billboards.*—(Repealed by sec. 1, act No. 2819.)

[2657—2717.]

SEC. 2730. *Shipment of liquor or tobacco under false name or brand.*—Any person who ships, transports, or removes spirituous or fermented liquors, wines, or tobacco under any other than the proper name or brand known to the trade as designating the kind and quality of the contents of the cask or package containing the same, or causes such act to be done, shall be subject to a fine of 500 pesos, and in addition the article or articles so transported or removed shall be forfeited.

[2657—2718.]

SEC. 2731. (As amended by sec. 31, act No. 2833.) *Procuring unlawful divulgence of trade secrets.*—Any person who causes or procures an officer or employee of the Bureau of Internal Revenue to divulge any confidential information regarding the business or income of any taxpayer, knowledge of which was acquired by him in the discharge of his official duties, and which it is unlawful for him to reveal, and any person who publishes or prints in any manner whatever, not provided by law, any income, profits, losses, or expenditures appearing in any income-tax return, shall be fined in a sum not more than 2,000 pesos or be imprisoned for a term of not less than six months nor more than five years, or both.

[2657—2719.]

SEC. 2732. *Fraudulent practices relative to weights and measures.*—Any person other than an official sealer of weights and measures who places an official tag or seal upon any instrument of weight or measure, or attaches it thereto, and any person who fraudulently imitates any mark, stamp, brand, tag, or other characteristic sign used to indicate that weights and measures have been officially sealed; or who alters in any way the certificate given by the sealer as an

acknowledgment that the weights and measures mentioned therein have been duly sealed, or who makes or knowingly sells or uses any false or counterfeit stamp, tag, certificate, or license, or any die for printing or making stamps, tags, certificates, or licenses, which is an imitation of or purports to be a lawful stamp, tag, certificate, or license of the kind required by the provisions of the internal-revenue law, or who alters the written or printed figures or letters on any stamp, tag, certificate, or license used or issued or who has in his possession any such false, counterfeit, restored, or altered stamp, tag, certificate, or license for the purpose of use or reuse of the same in the payment of fees or charges imposed in the internal-revenue law, or who procures the commission of any such offense by another, shall for each such offense be fined not less than 200 pesos nor more than 10,000 pesos, and shall be imprisoned for not less than one month nor more than five years, in the discretion of the court.

[2657—2720.]

SEC. 2733. *Unlawful possession or use of instrument not sealed within 12 months.*—Any person making a practice of buying or selling goods by weight or measure, or of furnishing services the value of which is estimated by weight or measure, who has in his possession without permit any scale, balance, weight, or measure which has not been officially sealed within 12 months, and any person who uses in any purchase or sale or in estimating the value of any service furnished any such instrument that has not been officially sealed within the same period, shall be punished by a fine not exceeding 500 pesos or by imprisonment for not exceeding one year, or by both, in the discretion of the court; but if such scale, balance, weight, or measure so used has been officially sealed at some previous time and the seal and tag officially affixed thereto remain intact and in the same position and condition in which they were placed by the official sealer, and the instrument is found not to have been altered or rendered inaccurate, but still to be sufficiently accurate to warrant its being sealed without repairs or alteration, such instrument shall, if presented for sealing promptly on demand of any authorized sealer or inspector of weights and measures, be sealed, and the owner, possessor, or user of same shall be subject to no penalty except a surcharge equal to five times the regular fee fixed by law for the sealing of an instrument of its class, this surcharge to be collected and accounted for by the same official and in the same manner as the regular fees for sealing such instruments.

[2657—2721.]

SEC. 2734. *Alteration or fraudulent use of instrument of weight or measure.*—Any person who with fraudulent intent alters any scale or

balance, weight, or measure after it is officially sealed, or who knowingly uses any false scale or balance, weight, or measure, whether sealed or not, shall be punished by a fine of not less than 200 pesos, nor more than 4,000 pesos, or by imprisonment for not less than three months nor more than two years, or both.

Any person who fraudulently gives short weight or measure in the making of a sale, or who fraudulently takes excessive weight or measure in the making of a purchase, or who, assuming to determine truly the weight or measure of any article bought or sold by weight or measure, fraudulently misrepresents the weight or measure thereof, shall be punished by a fine of not less than 50 pesos nor more than 2,000 pesos, or by imprisonment for not less than three months nor more than two years, or both.

[2657—2722.]

SEC. 2735. *Payment of informers.*—Any person, except an internal-revenue agent or officer or other public official engaged in sealing or inspecting weights and measures, who voluntarily gives information leading to the arrest and conviction of anyone violating the provisions of the internal-revenue law relative to weights and measures, shall be rewarded in the sum of 20 pesos or in the sum of 100 pesos if the person convicted is a public officer or employee concerned with the sealing or inspecting of weights and measures. The informer shall be ascertained and stated in the judgment of the court, and the reward paid shall be a charge against the funds of the province in which the arrest and conviction is had and the municipality concerned, in the proportion in which the weights and measures fees accrue to each; but to prevent delay in payment the province shall initially pay the entire amount and subsequently secure reimbursement of the municipality's share.

[2657—2723.]

SEC. 2736. *Illegal sale of skimmed milk.*—Any person who sells or puts on sale in the Philippine Islands any condensed skimmed milk or milk from which the fat has been removed totally or in part, on which the tax imposed by the internal-revenue law has not been fully paid, or which does not bear the legend provided for therein, shall, upon conviction thereof, be punished by a fine of not exceeding 600 pesos, or by imprisonment not exceeding six months, or both.

[2657—2724.]

SEC. 2737. *Unlawful removal of mining products.*—Any concessionaire, manager, owner, or person in charge of any mining products upon which the ad valorem tax herein imposed is applicable, who unlawfully removes, or who allows or procures the unlawful removal of any such products from the place where mined, upon which said

ad valorem tax has not been paid in the time and manner required, and every person who knowingly aids or abets in the removal of such articles as aforesaid or conceals the same after their illegal removal, shall for the first offense be punished by a fine of not more than 1,000 pesos or imprisonment for not longer than six months, or both, and the products so unlawfully removed shall be forfeited. In case of reincidence the offender under this section shall be punished by imprisonment for not less than one month nor more than two years, and if the offense be committed by the concessionaire, owner, or manager of the mine, or by his connivance, the mining concession and all mining rights in the property, including the machinery and apparatus used in and about the mine, and all the products unlawfully removed, shall be forfeited to the Government.

[2657—2725.]

SEC. 2738. *Failure to keep pharmacist's record.*—A physician, dentist, veterinarian, pharmacist, or second-class pharmacist who fails to keep a true and correct record of prohibited drugs received and dispensed or transferred by him, as required by law and prescribed in the regulations of the Bureau of Internal Revenue, or who fails to allow the immediate inspection of his entire stock of such drugs upon the demand of any internal-revenue officer or agent, shall be punished by a fine of not less than 50 pesos nor more than 1,000 pesos.

[2657—2726.]

SEC. 2739. (As amended by sec. 18, act No. 2835.) *Unlawful delivery of property or transfer of shares, obligations, bonds, or rights subject to inheritance tax.*—The executor or judicial administrator who shall deliver to an heir, legatee, or donee, any real or personal property, credit, right, or franchise, and the officer, manager, or employee of any corporation, “sociedad anónima,” partnership, business, or industry who transfers in its books to any new owner any share, obligation, bond, or right, pertaining to an inheritance subject to the tax imposed in Article XI of the internal-revenue law without its payment being shown shall be punished by a fine of not more than 5,000 pesos, or imprisonment for not more than six months, or by both penalties.

[2601—12.]

SEC. 2740. *Concealment of property subject to inheritance tax.*—A donee, legatee, or heir who conceals any goods, rights, credits, or transfers subject to the tax imposed in article 11 of the internal-revenue law shall be punished by a fine of not less than 25 per cent. of the value of that which he may have concealed, nor more than said

value, or by imprisonment for not more than one year, or by both penalties.

[2601—14.]

SEC. 2741. *Violation of internal-revenue law or regulation in general.*—A person who violates any provision of the internal-revenue law, or any lawful regulation of the Bureau of Internal Revenue made in conformity with the same, for which delinquency no specific penalty is provided by law, shall be punished by a fine of not more than 300 pesos or by imprisonment for not more than six months, or both.

[2657—2727.]

INTERNAL-REVENUE ALLOTMENT LAW.

[From Administrative Code, 1917.]

Chapter 19.—INTERNAL-REVENUE ALLOTMENT LAW.

PRELIMINARY ARTICLE.—*Title of chapter.*

SEC. 484. Title of chapter.

ARTICLE I.—*Special disposition of certain internal revenue.*

SEC. 485. Disposition of fees for sealing weights and measures.

SEC. 486. Disposition of proceeds of certain license taxes.

SEC. 487. Disposition of proceeds of cedula tax.

SEC. 488. Disposition of proceeds of taxes on franchises.

SEC. 489. Disposition of proceeds of income and inheritance taxes.

ARTICLE II.—*Disposition and allotment of internal revenue in general.*

SEC. 490. Disposition of internal revenue in general.

SEC. 491. Allotments of internal revenue for special purposes.

SEC. 492. Apportionment and use of provincial allotment.

SEC. 493. Apportionment and use of road and bridge allotment.

SEC. 494. Apportionment and use of municipal allotment.

ARTICLE III.—*Miscellaneous provisions.*

SEC. 495. Status of cities, townships, and other local governmental divisions.

SEC. 496. Apportionment to be based upon census population.

SEC. 497. Warrants for quarterly payment of allotments.

PRELIMINARY ARTICLE.—TITLE OF CHAPTER.

SEC. 484. *Title of chapter.*—This chapter shall be known as the internal-revenue allotment law.

[2657—585.]

ARTICLE I.—SPECIAL DISPOSITION OF CERTAIN INTERNAL REVENUE.

SEC. 485. *Disposition of fees for sealing weights and measures.*—The proceeds of fees for the sealing and licensing of weights and measures shall accrue equally to the province and municipality wherein collected.

[2657—586.]

SEC. 486. *Disposition of proceeds of certain license taxes.*—The proceeds of the internal-revenue license taxes on theaters, museums, cockpits, concert halls, pawnbrokers, circuses, billiard rooms, and retail dealers in tuba, bassi, tapuy, or like domestic fermented liquors,

shall be for the exclusive benefit of the municipality wherein the same are collected.

[2657—587.]

SEC. 487. *Disposition of proceeds of cedula tax.*—In provinces where the cedula tax is fixed at 1 peso its proceeds shall go equally to the province and municipality wherein collected. In provinces where the tax is fixed at 2 pesos the extra peso shall accrue to the road and bridge fund or the road and public works fund of the province, the other peso being divided equally between the province and the municipality, as before. The proceeds of delinquent payments shall, in either case, be dealt with upon the same principle.

Such portion of the proceeds of the cedula tax collected in the barrio of San José, on Corregidor Islands, as would, under the preceding paragraph, accrue to the road and bridge fund of the Province of Cavite, shall hereafter be devoted exclusively to school purposes in said barrio.

[2657—588.]

SEC. 488. *Disposition of proceeds of taxes on franchises.*—Where the grantee of any franchise, his lessees, successors, or assigns have issued bonds with interest guaranteed by the Government of the Philippine Islands the franchise tax shall accrue in its entirety to the Insular Government until the guaranty ceases.

Taxes upon franchises whose obligations are not thus guaranteed shall be applied as follows:

(a) Where the franchise is for the operation of a submarine telegraphic cable, the entire franchise tax shall accrue to the insular government.

(b) Where the franchise is for a steam railroad or marine railway operating in one or more municipalities five-tenths of the franchise tax shall accrue to the insular government, two-tenths to the province or provinces concerned, and three-tenths to the municipality or municipalities concerned; and where more than one province participates in the provincial share, only so much of their population shall be considered in making the division as is found in the municipality or municipalities wherein the franchise is operated in the particular province.

(c) Where the franchise is for an electric or tramway line operating in one or more municipalities one-fifth of the franchise tax shall accrue to the insular government, one-fifth to the province or provinces concerned, and three-fifths to the municipality or municipalities concerned; and where more than one province participates the same rule of apportionment shall be observed as in the subsection preceding.

(d) Where the franchise is for the operation of a public-service plant or system different from those specified above, and the same is doing business in one or more municipalities, one-fifth of the franchise tax shall accrue to the insular government, one-fifth to the province or provinces concerned, and three-fifths to the municipality or municipalities concerned; and where more than one province or municipality participates the apportionment shall be in proportion to the gross receipts from the business transacted within their respective limits.

[2657—589.] (Reference: See sec. 15, act No. 2831.)

SEC. 489. (As amended by sec. 27, act No. 2833.) *Disposition of proceeds of income and inheritance taxes.*—The proceeds of the tax on income and of the tax on inheritances, legacies, and other acquisitions mortis causa shall accrue to the insular government.

[2601—17, 18.]

ARTICLE II.—DISPOSITION AND ALLOTMENT OF INTERNAL REVENUE IN GENERAL.

SEC. 490. *Disposition of internal revenue in general.*—Internal revenue collected under the laws of the Philippine Islands and not applied as hereinabove provided or otherwise specially disposed of by law shall accrue to the insular treasury, and shall be available for the general purposes of the Government, with the exception of the amounts set apart by way of allotment under the next succeeding section.

[2657—590.]

SEC. 491. *Allotments of internal revenue for special purposes.*—Of the internal revenue accruing to the insular treasury under the preceding section there shall be set apart 10 per centum as a provincial allotment, 10 per centum as a road and bridge allotment, and 20 per centum as a municipal allotment; but the amounts allotted to said several purposes during any year shall not be greater than the amount allotted for the same purposes during the fiscal year 1909.

[2657—591.]

SEC. 492. *Apportionment and use of provincial allotment.*—The provincial allotment shall be apportioned to the treasuries of the several respective provinces and shall there accrue to their general funds, respectively.

[2657—592.]

SEC. 493. *Apportionment and use of road and bridge allotment.*—The road and bridge allotment shall be apportioned among provinces wherein the road tax continues in force, as in the Mountain Province and Nueva Vizcaya and other provinces wherein the annual cedula tax is fixed or maintained at 2 pesos.

Shares in the road and bridge allotment shall accrue, respectively, to the road and public works fund or road and bridge fund, as the case may be, of the governmental division participating therein.

[2657—593.]

SEC. 494. *Apportionment and use of municipal allotment.*—The municipal allotment shall be for the benefit of the inhabitants of the islands in the purview of their community requirements, being available for municipal or other use as hereinbelow provided.

In regularly organized provinces containing non-Christian inhabitants so much of the municipal allotment available for a particular province as pertains to its non-Christian inhabitants shall accrue to its non-Christian inhabitants' fund.

In specially organized provinces so much of the municipal allotment available for a particular province as does not pertain to municipalities or chartered cities shall accrue to the township and settlement fund of such province.

Such part of the municipal allotment as is not applied as hereinabove provided shall be distributed among the various municipalities and, except as regards the city of Baguio, shall accrue in equal proportions to their general funds and school funds. The share of the city of Baguio shall accrue wholly to its general fund.

[2657—594.]

ARTICLE III.—MISCELLANEOUS PROVISIONS.

SEC. 495. *Status of cities, townships, and other local governmental divisions.*—For purposes of the allotment of internal revenue, a chartered city, township, or other local governmental division not constituting part of a municipality proper shall have the status of a municipality and shall be deemed to be included under the term "municipality" as used in this chapter.

The city of Manila shall receive the shares which it would receive if it were both a municipality and a regularly organized province, and for the purposes hereof shall be deemed to be both the one and the other.

[2657—595.]

SEC. 496. *Apportionment to be based upon census population.*—Apportionments of internal revenue under the provisions of this chapter shall be based on population as shown by the official census, but until a new census is taken or population otherwise determined according to law the proportionate share of the Mountain Province and Nueva Vizcaya and of the hill people in the Province of Samar shall be taken to be the same as in the apportionment of 1916:

Provided, however, That in determining the amount of internal-revenue funds to be allotted to the provinces comprised within the

department of Mindanao and Sulu, the auditor shall take into account the total approximate population of said provinces as certified to him by the Secretary of the Interior.

[2657—596.]

SEC. 497. *Warrants for quarterly payment of allotments.*—The payment of the internal-revenue allotments shall be made from the insular treasury quarterly upon warrants drawn by the collector of internal revenue.

[2657—597.]

INCOME-TAX LAW.

[Fourth Philippine Legislature, third session. H. No. 1576.]

[No. 2833.]

An act establishing the income tax, making other provisions relating to said tax, and amending certain sections of act numbered twenty-seven hundred and eleven.

Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

CHAPTER I.—ON INDIVIDUALS.

SECTION 1. (As amended by sec. 1, act No. 2926.) (a) There shall be levied, assessed, collected, and paid annually upon the entire net income received in the preceding calendar year from all sources by every individual, a citizen or resident of the Philippine Islands, a tax of 3 per centum upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the entire net income received in the preceding calendar year from all sources within the Philippine Islands by every individual, a nonresident alien, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise.

(b) In addition to the income tax imposed by subdivision (a) of this section, herein referred to as the normal tax, there shall be levied, assessed, collected, and paid upon the total net income of every individual, or, in the case of a nonresident alien, the total net income received from all sources within the Philippine Islands, an additional income tax, herein referred to as the additional tax, of one-half of 1 per cent per annum upon the amount by which such total net income exceeds 10,000 pesos and does not exceed 20,000 pesos; 1 per cent per annum upon the amount by which such total net income exceeds 20,000 pesos and does not exceed 30,000 pesos; 1½ per cent per annum upon the amount by which such total net income exceeds 30,000 pesos and does not exceed 40,000 pesos; 2 per cent per annum upon the amount by which such total net income exceeds 40,000 pesos and does not exceed 50,000 pesos; 2½ per cent per annum upon the amount by which such total net income exceeds 50,000 pesos and does not exceed 60,000 pesos; 3 per cent per annum upon the amount by which such total net income exceeds 60,000 pesos and does not exceed 70,000 pesos; 3½ per cent per annum upon

the amount by which such total net income exceeds 70,000 pesos and does not exceed 80,000 pesos; 4 per cent per annum upon the amount by which such total net income exceeds 80,000 pesos and does not exceed 90,000 pesos; $4\frac{1}{2}$ per cent per annum upon the amount by which such total net income exceeds 90,000 pesos and does not exceed 100,000 pesos; 5 per cent per annum upon the amount by which such total net income exceeds 100,000 pesos and does not exceed 120,000 pesos; $5\frac{1}{2}$ per cent per annum upon the amount by which such total net income exceeds 120,000 pesos and does not exceed 140,000 pesos; 6 per cent per annum upon the amount by which such total net income exceeds 140,000 pesos and does not exceed 160,000 pesos; $6\frac{1}{2}$ per cent per annum upon the amount by which such total net income exceeds 160,000 pesos and does not exceed 200,000 pesos; 7 per cent per annum upon the amount by which such total net income exceeds 200,000 pesos and does not exceed 250,000 pesos; 8 per cent per annum upon the amount by which such total net income exceeds 250,000 pesos and does not exceed 300,000 pesos; 9 per cent per annum upon the amount by which such total net income exceeds 300,000 pesos and does not exceed 400,000 pesos; 10 per cent per annum upon the amount by which such total net income exceeds 400,000 pesos and does not exceed 500,000 pesos; 11 per cent per annum upon the amount by which such total net income exceeds 500,000 pesos and does not exceed 700,000 pesos; 12 per cent per annum upon the amount by which such total net income exceeds 700,000 pesos and does not exceed 900,000 pesos; 13 per cent per annum upon the amount by which such total net income exceeds 900,000 pesos and does not exceed 1,200,000 pesos; 14 per cent per annum upon the amount by which such total net income exceeds 1,200,000 pesos and does not exceed 1,500,000 pesos; 15 per cent per annum upon the amount by which such total net income exceeds 1,500,000 pesos and does not exceed 2,000,000 pesos; 16 per cent per annum upon the amount by which such total net income exceeds 2,000,000 pesos and does not exceed 2,500,000 pesos; 17 per cent per annum upon the amount by which such total net income exceeds 2,500,000 pesos and does not exceed 3,000,000 pesos; 18 per cent per annum upon the amount by which such total net income exceeds 3,000,000 pesos and does not exceed 4,000,000 pesos; 19 per cent per annum upon the amount by which such total net income exceeds 4,000,000 pesos and does not exceed 5,000,000 pesos; 20 per cent per annum upon the amount by which such total net income exceeds 5,000,000 pesos.

For the purposes of the additional tax there shall be included as income the income derived from dividends or net earnings subject to the tax established in subsection (a) of section 10.

All the provisions of this law relating to the normal tax on individuals, so far as they are applicable and are not inconsistent with

this subdivision and section three, shall apply to the imposition, levy, assessment, and collection of the additional tax imposed under this subdivision.

(c) The foregoing normal and additional tax rates shall apply to the entire net income, except as hereinafter provided, received by every taxable person in the calendar year 1920 and in each year thereafter.

INCOME DEFINED.

SEC. 2. (As amended by sec. 2, act No. 2926.) (a) Subject only to such exemptions and deductions as are hereinafter allowed, the taxable net income of a person shall include gains, profits, and income derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce, sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains, profits, and income derived from any source whatever.

(b) Income received by estates of deceased persons during the period of administration or settlement of the estate shall be subject to the normal and additional tax and taxed to their estates, and also such income of estates or any kind of property held in trust, including such income accumulated in trust for the benefit of unborn or unascertained persons, or persons with contingent interests, and income held for future distribution under the terms of the will or trust shall be likewise taxed, the tax in each instance, except when the income is returned for the purpose of the tax by the beneficiary, to be assessed to the executor, administrator, or trustee, as the case may be: *Provided*, That where the income is to be distributed annually or regularly between existing heirs or legatees or beneficiaries, the rate of tax and method of computing the same shall be based in each case upon the amount of the individual share to be distributed.

Such trustees, executors, administrators, and other fiduciaries are hereby indemnified against the claims or demands of every beneficiary for all payments of taxes which they shall be required to make under the provisions of this law, and they shall have credit for the amount of such payments against the beneficiary or principal in any accounting which they make as such trustees or other fiduciaries.

(c) The gain derived or loss sustained from the sale or other disposition of property, real, personal, or mixed, shall be determined in accordance with the following schedule:

(1) In the case of property acquired before March 1, 1913, the fair market price or value of such property as of March 1, 1913.

(2) In the case of property acquired on or before March 1, 1913, the fair market price or value of such property as of the date of the acquisition thereof.

(3) In the case of the exchange of one piece of property for another, the property received in exchange shall be considered as equivalent of money in a sum equal to its fair market value on the date on which the exchange was made.

(d) Whenever, in the judgment of the collector of internal revenue, the taking of an inventory of property is necessary in order to determine the income of a taxpayer, the latter shall make an inventory in such form as said collector may prescribe.

ADDITIONAL TAX IS LEVIED ON UNDISTRIBUTED PROFITS.

SEC. 3. For the purpose of the additional tax, the taxable income of any individual shall include the share to which he would be entitled of the gains and profits, if divided or distributed, whether divided or distributed or not, of all corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, or insurance companies, however created or organized, when such gains or profits have been fraudulently accumulated or retained for the purpose of evading the payment of the additional tax upon them; and the fact that any such corporation, joint-stock company, partnership, joint account (*cuentas en participación*), association, or insurance company, is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business, shall be *prima facie* evidence of a fraudulent purpose to escape such tax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the said tax in such case unless the secretary of finance shall certify that in his opinion such accumulation is unreasonable for the purposes of the business. When requested by the collector of internal revenue such corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company shall forward to him a correct statement of such gains and profits and the names and addresses of the individuals or shareholders who would be entitled to the same if divided or distributed.

INCOME EXEMPT BY LAW.

SEC. 4. The following incomes shall be exempt from the provisions of this law:

(a) The proceeds of life-insurance policies paid to beneficiaries upon the death of the insured.

(b) The amount received by the insured, as a return of premium or premiums paid by him under life insurance, endowment, or annuity contracts, either during the term or at the maturity of the term mentioned in the contract or upon surrender of the contract.

(c) The value of property acquired by gift, bequest, devise, or descent; but the income from such property shall be included as income.

(d) Interest upon the obligations of the United States to the extent provided in the act authorizing the issue thereof; interest upon the obligations of the Government of the Philippine Islands or any political subdivision thereof, but in the case of such obligations issued after January 1, 1919, only to the extent provided in the act authorizing the issue thereof.

DEDUCTIONS AND CREDITS ALLOWED.

SEC. 5. (As amended by sec. 3, act No. 2926.) (In computing net income in the case of a citizen or resident of the Philippine Islands—

(a) For the purpose of the tax there shall be allowed as deductions:

First. The necessary expenses actually paid or incurred in carrying on any business or trade, not including personal, living, or family expenses.

Second. All interest paid within the year on his indebtedness except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation as income under this law.

Third. Taxes paid within the year imposed by any foreign government, by the Government of the Philippine Islands, or by any province, city, municipality, or township, not including those assessed against local benefits.

Fourth. Losses actually sustained during the year, incurred in his business or trade, or arising from fires, storms, shipwreck, or other casualty, and from theft, when such losses are not compensated for by insurance or otherwise.

Fifth. In transactions entered into for profit but not connected with his business or trade the losses actually sustained therein during the year not compensated for by insurance or otherwise.

Sixth. Debts due to the taxpayer actually ascertained to be worthless and charged off within the year.

Seventh. A reasonable allowance for deterioration of property arising out of its use or employment in the business or trade, or out of its not being used.

Eighth. (a) In the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained

not by the flush flow, but by the settled production or regular flow: (b) in the case of mines a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof, which has been mined and sold during the year for which the return and computation are made, such reasonable allowance to be made in the case of both (a) and (b) under rules and regulations to be prescribed by the collector of internal revenue with the approval of the secretary of finance: *Provided*, That when the allowances authorized in (a) and (b) shall equal the capital originally invested, or in case of purchase made prior to March 1, 1913, the fair market value as of that date, no further allowance shall be made. No deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property, and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made.

Ninth. Contributions or gifts actually paid or made within the year to corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or to societies for the prevention of cruelty to children or animals, no part of the net income of which inures to the benefit of any private stockholder or individual, to an amount not in excess of 5 per centum of the taxpayer's taxable net income as computed without the benefit of this paragraph. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the collector of internal revenue with the approval of the secretary of finance.

(b) For the purpose of the normal tax only, the income embraced in a personal return shall be credited with the amount received as dividends or net profits subject to the tax established in subsection (a) of section 10.

(c) A like credit shall be allowed as to the amount of income, the normal tax upon which has been paid or withheld for payment at the source of the income under the provisions of this law.

NONRESIDENT ALIENS.

SEC. 6. (As amended by sec. 4, act No. 2926.) In computing net income in the case of a nonresident alien—

(a) For the purpose of the tax there shall be allowed as deductions:

First. The necessary expenses paid or incurred in carrying on any business or trade conducted by him within the Philippine Islands, not including personal, living, or family expenses.

Second. The proportion of all interest paid within the year by such person on his indebtedness, except on indebtedness incurred for the purchase of obligations or securities, the interest upon which is exempt from taxation as income under this law, which the gross amount of his income for the year derived from sources within the Philippine Islands bears to the gross amount of his income for the year derived from all sources within and without the Philippine Islands; but this deduction shall be allowed only if such person includes in the return required by section 8 all the information necessary for its calculation.

Third. Taxes paid within the year imposed by the Government of the United States, the Government of the Philippine Islands, or any Province, city, municipality, or township, paid within the Philippine Islands, not including those assessed against local benefits.

Fourth. Losses actually sustained during the year incurred in business or trade conducted by him within the Philippine Islands, and losses of property within the Philippine Islands arising from fires, storms, shipwreck, or other casualty, and from theft, when such losses are not compensated for by insurance or otherwise.

Fifth. In transactions entered into for profit in the Philippine Islands but not connected with his business or trade, the losses actually sustained during the year not compensated for by insurance or otherwise.

Sixth. Debts arising in the course of business or trade conducted by him within the Philippine Islands due to the taxpayer actually ascertained to be worthless and charged off within the year.

Seventh. A reasonable allowance for the deterioration of property within the Philippine Islands arising out of its use or employment, or its nonuse, in the business or trade: (a) In the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained not by the flush flow, but by the settled production or regular flow: (b) in the case of mines a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof which has been mined and sold during the year for which the return and computation are made, such reasonable allowance to be made in the case of both (a) and (b) under rules and regulations to be prescribed by the collector of internal revenue with the approval of the secretary of finance: *Provided*, That when the allowance authorized in (a) and (b) shall equal the capital originally invested, or in case of purchase made prior to March 1, 1913, the fair market value as of that date, no further allowance shall be made. No deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property or

estate, and no reduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made.

(b) There shall also be allowed the credits specified by subdivisions (b) and (c) of section 5.

(c) A nonresident alien individual shall receive the benefit of the deductions and credits provided for in this section only by filing or causing to be filed with the collector of internal revenue a true and accurate return of his total income, received from all sources, corporate or otherwise, in the Philippine Islands, in the manner prescribed by this law; and in case of his failure to file such return the collector of internal revenue shall collect the tax on such income.

PERSONAL EXEMPTION.

SEC. 7. (As amended by sec. 5, act No. 2926.) For the purpose of the normal tax only there shall be allowed as an exemption in the nature of a deduction from the amount of the net income of each citizen or resident of the Philippine Islands, ascertained as provided herein, the sum of 4,000 pesos plus 2,000 pesos additional if the person making the return be a married man with a wife living with him, or plus the sum of 2,000 pesos additional if the person making the return be a married woman with a husband living with her or an unmarried man or woman with parents or one or more brothers or sisters dependent upon him or her; but in no event shall this additional exemption of 2,000 pesos be deducted by both: *Provided*, That only one deduction of 6,000 pesos shall be made from the aggregate income of both husband and wife when living together: *Provided, further*, That if the person making the return is the head of a family there shall be an additional exemption of 400 pesos for each legitimate, recognized natural or adopted child dependent upon such person, if a minor or incapable of self-support because mentally or physically defective: *Provided, further*, That guardians or trustees shall be allowed to make this personal exemption as to income derived from the property of which such guardian or trustee has charge in favor of each ward or cestui que trust: *Provided, further*, That in no event shall a ward or cestui que trust be allowed a greater personal exemption than as provided in this section, from the amount of net income received from all sources. There shall also be allowed an exemption from the amount of the net income of estates of deceased citizens or residents of the Philippine Islands during the period of administration or settlement, and of trusts or other estates of citizens or residents of the Philippine Islands the income of which is not distributed annually or regularly under the provisions of subdivision (b) of section 2 the sum of 4,000 pesos, including such deductions as are allowed under section 5.

A nonresident alien shall be entitled to the exemption provided in this section when the income-tax law in the country of which he is a subject or citizen allows similar exemption to citizens of the Philippines not residing in such country, provided said nonresident alien files a true and accurate return of the total income received by him from all sources in the Philippine Islands, as required by this act.

RETURNS.

SEC. 8. (As amended by sec. 6, act No. 2926.) (a) The tax shall be computed upon the net income, ascertained in accordance with the foregoing provisions, of each person subject thereto, received in each preceding calendar year ending December 31.

(b) On or before the 1st day of March, 1921, and the 1st day of March in each year thereafter a true and accurate return, under oath, shall be made by each person of lawful age, except as hereinafter provided, having an income of 4,000 pesos or over for the taxable year to the collector of internal revenue or provincial treasurer of the province in which such person has his legal residence or principal place of business, or if there be no legal residence or place of business in the Philippine Islands, then with the collector of internal revenue, in such form as the latter, with the approval of the secretary of finance, shall prescribe, setting forth specifically the gross amount of income from all separate sources and from the total thereof deducting the aggregate items of allowances herein authorized: *Provided*, That the collector of internal revenue shall have authority to grant a reasonable extension of time, in meritorious cases, for filing returns of income: *Provided further*, That the aforesaid return may be made by an agent when by reason of illness, absence, or nonresidence the person liable for said return is unable to make and render the same, the agent assuming the responsibility of making the return and incurring penalties provided for erroneous, false, or fraudulent returns.

(c) Guardians, trustees, executors, administrators, receivers, conservators, and all persons, corporations, partnerships, joint accounts (cuentas en participación), or associations, acting in any fiduciary capacity, shall render a return of the income of the person, trust, or estate for whom or which they act, and be subject to all the provisions of this law which apply to individuals. Such fiduciary shall make oath that he has sufficient knowledge of the affairs of such person, trust, or estate to enable him to make such return and that the same is, to the best of his knowledge and belief, true and correct, and be subject to all the provisions of this law which apply to individuals: *Provided*, That a return made by one of two or more joint fiduciaries filed in the province where such fiduciary resides, under such regula-

tions as the collector of internal revenue, with the approval of the secretary of finance, may prescribe, shall be a sufficient compliance with the requirements of this paragraph: *Provided further*, That no return of income not exceeding 4,000 pesos shall be required except as in this law otherwise provided.

(d) Persons carrying on business in general copartnership (*compañía colectiva*) duly registered shall be liable for income tax only in their individual capacity, and the share of the profits of the general copartnership (*compañía colectiva*) to which any taxable partner would be entitled if the same were divided, whether divided or otherwise, shall be returned for taxation and the tax paid under the provisions of this law: *Provided*, That from the net distributive interests on which the individual members shall be liable for tax, normal and additional, there shall be excluded their proportionate shares received from interests on the obligations of the United States to the extent provided in the act authorizing the issue thereof; interest upon the obligations of the Government of the Philippine Islands or any political subdivision thereof; but in the case of such obligations issued after January 1, 1919, only to the extent provided in the act authorizing the issue thereof; and that for the purpose of computing the normal tax there shall be allowed a credit for their proportionate share of the profits derived from the dividends or net profits subject to the tax established in subsection (a) of section 10. Such general copartnership (*compañía colectiva*), when requested by the collector or internal revenue or his authorized deputies, shall render a correct return of its earnings, profits, and income, except income exempt under section 4 of this act, setting forth the item of the gross income and the deductions and credits allowed by this law, and the names and addresses of the individuals who would be entitled to the net earnings, profits, and income if distributed. A general copartnership (*compañía colectiva*) shall have the same privilege of fixing its own fiscal year and making returns upon the basis of the same as accorded to corporations.

(e) An individual keeping accounts upon any basis other than that of actual receipts and disbursements, unless such other basis does not clearly reflect his income, may, subject to regulations made by the collector of internal revenue, with the approval of the secretary of finance, make his return upon the basis upon which his accounts are kept, in which case the tax shall be computed upon his income as so returned.

ASSESSMENT.

SEC. 9. (a) All assessments shall be made by the collector of internal revenue and all persons shall be notified of the amount for which they are respectively liable on or before the 1st day of June of

each successive year, and said amounts shall be paid on or before the 15th day of June, except in cases of refusal or neglect to make such return and in cases of erroneous, false, or fraudulent returns, in which cases the collector of internal revenue shall, upon the discovery thereof, at any time within three years after said return is due, or has been made, make a return upon information obtained as provided for in this law or by existing law, or require the necessary corrections, to be made, and the assessment made by the collector of internal revenue thereon shall be paid by such person or persons immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the 15th day of June in any year, and for 10 days after notice and demand thereof by the collector, there shall be added the sum of 5 per centum on the amount of tax unpaid, and interest at the rate of 1 per centum per month upon said tax from the time the same became due, except from the estates of insane, deceased, or insolvent persons.

(b) All persons, corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, insurance companies, and general copartnerships (*compañías colectivas*), in whatever capacity acting, including lessees or mortgagors of personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, employers, and all officers and employees of the government of the Philippine Islands having the control, receipt, custody, disposal, or payment of interests, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income of any nonresident alien individual, other than income derived from dividends or net profits subject to the tax established in subsection (a) of section 10 are hereby authorized and required to deduct and withhold from such annual or periodical gains, profits, and income such sum as will be sufficient to pay the normal tax thereon, and shall make return thereof on or before March 1 of each year, and, on or before the time fixed by law for the payment of the tax, shall pay the amount withheld to the officer of the government of the Philippine Islands authorized to receive the same; and they are each hereby made personally liable for such tax, and they are each hereby indemnified against every person, corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company, or demand whatsoever by reason of the payment of the said tax.

(c) The normal tax hereinbefore imposed shall also be deducted and withheld from fixed or determinable annual or periodical gains, profits, and income derived from interest upon bonds and mortgages, or deeds of trust or other similar obligations of corporations, joint-stock companies, partnerships, joint accounts (*cuentas en par-*

ticipación), associations, and insurance companies if such bonds, mortgages, or other obligations contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this law upon the obligee or to reimburse the obligee for any portion of the tax or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the Philippine Islands, whether payable annually or at shorter or longer periods and whether such interest is payable to a nonresident alien individual or to a citizen or resident of the Philippine Islands, subject to the provisions of the foregoing subdivision (b) of this section requiring the tax to be withheld at the source and deducted from annual income and returned and paid to the Government, unless the person entitled to receive such interest shall file with the withholding agent, on or before February 1, a signed notice in writing claiming the benefit of an exemption under section 7 of this law.

(d) All persons, corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, or general copartnerships (*compañías colectivas*) undertaking for profit or otherwise the collection of foreign payments of interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the collector of internal revenue, and shall be subject to such regulations enabling the Government to obtain the information required under this law, as the collector of internal revenue, with the approval of the secretary of finance, shall prescribe; and whoever knowingly undertakes to collect such payments as aforesaid without having obtained a license therefor, or without complying with such regulations, shall be deemed guilty of a misdemeanor and for each offense be fined in a sum not exceeding 10,000 pesos, or imprisoned for a term not exceeding one year, or both, in the discretion of the court.

(e) The tax herein imposed upon gains, profits, and incomes not falling under the foregoing and not returned and paid by virtue of the foregoing or as otherwise provided by law shall be assessed by personal return under rules and regulations to be prescribed by the collector of internal revenue and approved by the secretary of finance. The intent and purpose of this law is that all gains, profits, and income of a taxable class, as defined by this law, shall be charged and assessed with the corresponding tax, normal and additional, prescribed by this law, and said tax shall be paid by the owner of such gains, profits, and income, or the proper representative having the receipt, custody, control, or disposal of the same. For the purpose of this law ownership of such gains, profits, and income or liability to pay the tax shall be determined as of the year for which a return is required to be rendered.

The provisions of this section, except subdivision (c), relating to the deduction and payment of the tax at the source of income shall only apply to the normal tax hereinbefore imposed upon nonresident alien individuals.

CHAPTER II.—ON CORPORATIONS.

SEC. 10. (As amended by sec. 7, act No. 2926.) (a) There shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding calendar year from all sources by every corporation, joint-stock company, partnership, joint account (cuenta en participación), association, or insurance company, organized in the Philippine Islands, no matter how created or organized, but not including duly registered general copartnerships (compañías colectivas), a tax of 3 per cent upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding calendar year from all sources within the Philippine Islands by every corporation, joint-stock company, partnership, joint account (cuenta en participación), association, or insurance company organized, authorized, or existing under the laws of any foreign country, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, and including the income derived from dividends or net profits subject to the tax established in this subsection.

The gain derived or loss sustained from the sale or other disposition by a corporation, joint-stock company, partnership, joint account (cuenta en participación), association, or insurance company, of property, real, personal, or mixed, shall be ascertained in accordance with subsections (c) and (d) of section 2 of act No. 2833, as amended by this act.

The foregoing tax rate shall apply to the net income received by every taxable corporation, joint-stock company, partnership, joint account (cuenta en participación), association, or insurance company in the calendar year 1920 and in each year thereafter.

EXEMPTIONS.

SEC. 11. (a) There shall not be taxed under this law any income received by any—

First. Labor, agricultural, or horticultural organization.

Second. Mutual savings bank not having a capital stock represented by shares, and corporative bank without capital stock organized and operated for mutual purposes and without profit.

Third. Fraternal beneficiary society, order, or association, operating under the lodge system or for the exclusive benefit of the mem-

bers of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association, or their dependents.

Fourth. Loan and building association organized under the corporation law.

Fifth. Cemetery company owned and operated exclusively for the benefit of its members.

Sixth. Corporation or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual: *Provided, however,* That the income of whatever kind and character from any of its properties, real or personal, except income expressly exempted by this law, shall be liable to the tax imposed under this chapter.

Seventh. Business league, chamber of commerce, or board of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stockholder or individual.

Eighth. Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare.

Ninth. Club organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net income of which inures to the benefit of any private stockholder or member.

Tenth. Farmers' or other mutual typhoon or fire insurance company, mutual ditch or irrigation company, mutual or corporative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its expenses.

Eleventh. Farmers', fruit growers', or like association organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity of produce furnished by them.

Twelfth. Corporation or association organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax imposed by this law; or

Thirteenth. Joint-stock land bank as to income derived from bonds or debentures of other joint-stock land bank or any land bank belonging to such joint-stock land bank.

(b) There shall not be taxed under this law any income derived from any public utility or from the exercise of any essential govern-

mental function accruing to the Government of the Philippine Islands or of any political subdivision of the Philippine Islands: *Provided*, That whenever any Province, city, or any political subdivision of a Province has, prior to the passage of this law, entered in good faith into a contract with any person or corporation, the object and purpose of which is to acquire, construct, operate, or maintain a public utility, no tax shall be levied under the provisions of this law upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such Province, city, or a political subdivision of a Province; but this provision is not intended to confer upon such person or corporation any financial gain or exemption or to relieve such person or corporation from the payment of a tax as provided for in this law upon the part or portion of the said income to which such person or corporation shall be entitled under such contract.

DEDUCTIONS.

SEC. 12. (a) In the case of a corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company, organized in the Philippine Islands, such net income shall be ascertained by deducting from the gross amount of its income received within the year from all sources:

First. All the ordinary and necessary expenses paid within the year in the maintenance and operation of its business and properties, including rentals or other payments for the continued use or possession of property to which the corporation has not taken or is not taking title, or in which it has no equity.

Second. All losses actually sustained and charged off within the year and not compensated by insurance or otherwise, including a reasonable allowance for the depreciation of property arising out of its use or employment in the business or trade: (a) In the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained, not by the flush flow, but by the settled production or regular flow; (b) in the case of mines a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof which has been mined and sold during the year for which the return and computation are made, such reasonable allowance to be made in the case of both (a) and (b) under rules and regulations to be prescribed by the collector of internal revenue with the approval of the secretary of finance: *Provided*, That when the allowance authorized in (a) and (b) shall equal the capital originally invested, or in case of purchase made prior to March 1, 1913, the fair market value as of that date, no further allowance shall be made; and (c) in the case of insurance

companies, the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided*, That no deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments made to increase the value of any property or estate, and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made: *Provided further*, That mutual fire and mutual employers' liability and mutual workmen's compensation and mutual casualty insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portion of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof; and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year.

Third. The amount of interest paid within the year on its indebtedness, except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation as income under this law, to an amount of such indebtedness not in excess of the sum of (a) the entire amount of the paid-up capital stock outstanding at the close of the year, or, if no capital stock, the entire amount of capital employed in the business at the close of the year, and (b) one-half of its interest-bearing indebtedness then outstanding: *Provided*, That for the purpose of this law preferred capital stock shall not be considered interest bearing indebtedness, and interest or dividends paid upon this stock shall not be deductible from gross income: *Provided further*, That in cases wherein shares of capital stock are issued without par or nominal value, the amount of paid-up capital stock within the meaning of this section, as represented by such shares, will be the amount of cash, or its equivalent, paid or transferred to the corporation as a consideration for such shares: *Provided further*, That in the case of indebtedness wholly

secured by property collateral, tangible or intangible, the subject of sale or hypothecation in the ordinary business of such corporation, joint-stock company, partnership, joint account (*cuenta en participación*), or association as a dealer only in the property constituting such collateral, or in loaning the funds thereby procured, the total interest paid within the year on any such indebtedness may be deducted as a part of its expenses of doing business, but interest on such indebtedness shall only be deductible on an amount of such indebtedness not in excess of the actual value of such property collateral: *Provided further*, That in the case of bonds or other indebtedness, which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed, or any other tax paid pursuant to such guaranty, shall be allowed; and in the case of a bank, banking association, loan or trust company, interest paid within the year on deposits or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan or trust company shall be deducted.

Fourth. Taxes paid within the year imposed by any foreign Government, by the government of the Philippine Islands, or by any Province, city, municipality, or township, not including those assessed against local benefits.

(b) In the case of a corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company, organized, authorized, or existing under the laws of any foreign country, such net income shall be ascertained by deducting from the gross amount of its income received within the year from all sources within the Philippine Islands—

First. All the ordinary and necessary expenses actually paid or deducted within the year out of earnings in the maintenance and operation of its business and property within the Philippine Islands, including rentals or other payments for the continued use or possession of property to which the corporation has not taken or is not taking title, or in which it has no equity.

Second. All losses actually sustained and charged off within the year in business or trade conducted by it within the Philippine Islands and not compensated by insurance or otherwise, including a reasonable allowance for the depreciation of property arising out of its use or employment in the business or trade: (a) and in the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained not by the flush flow, but by the settled production or regular flow; (b) in the case of mines a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof which has been mined

and sold during the year for which the return and computation are made, such reasonable allowance to be made in the case of both (a) and (b) under rules and regulations to be prescribed by the collector of internal revenue with the approval of the secretary of finance: *Provided*, That when the allowances authorized in (a) and (b) shall equal the capital originally invested, or in case of purchase made prior to March 1, 1913, the fair market value as of that date, no further allowance shall be made; and (c) in the case of insurance companies, the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided*, That no deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property, and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made: *Provided further*, That mutual fire and mutual employers' liability and mutual workmen's compensation and mutual casualty insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portion of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof, and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder within such year.

Third. The amount of interest paid within the year on its indebtedness, except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation as income under this law, to an amount of such indebtedness not in excess of the proportion of the sum of (a) the entire amount of the paid-up capital stock outstanding at the close of the year, or, if no capital stock, the entire amount of the capital employed in the business at the close of the year; and (b) one-half of its interest-

bearing indebtedness then outstanding, which the gross amount of its income for the year from business transacted and capital invested within the Philippine Islands bears to the gross amount of its income derived from all sources within and without the Philippine Islands: *Provided*, That in the case of bonds or other indebtedness which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed or any other tax paid pursuant to such guaranty shall be allowed; and in case of a bank, banking association, loan or trust company, or branch thereof, interest paid within the year on deposits by or on moneys received for investment from either citizens or residents of the Philippine Islands and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan or trust company, or branch thereof, shall be deducted.

Fourth. Taxes paid within the year in the Philippine Islands, imposed by the Government of the United States, by the government of the Philippine Islands, or by any Province, city, municipality, or township, not including those assessed against local benefits.

(c) In the case of assessment insurance companies, whether domestic or foreign, the actual deposit of sums with the officers of the government of the Philippine Islands, pursuant to law, as additions to guarantee or reserve funds, shall be treated as being payments required by law to reserve funds.

RETURNS.

SEC. 13. (As amended by sec. 8, act No. 2926.) (a) The tax shall be computed upon the net income, ascertained in accordance with the foregoing provisions, received within each preceding calendar year ending December 31: *Provided*, That any corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company, subject to this tax, may designate the last day of any month in the year as the day of the closing of its fiscal year, and shall be entitled to have the tax payable by it computed upon the basis of the net income ascertained as herein provided for the year ending on the day so designated in the year preceding the date of assessment instead of upon the basis of the net income for the calendar year preceding the date of assessment; and it shall give notice of the day it has thus designated as the closing of its fiscal year to the collector of internal revenue at any time not less than 30 days prior to the 1st day of March of the year in which its return would be filed if made upon the basis of the calendar year.

(b) Every corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance com-

pany, subject to the tax herein imposed, shall, on or before the 1st day of March, 1920, and the 1st day of March in each year thereafter, or, if it has designated a fiscal year, then within 60 days after the close of such fiscal year ending prior to December 31, 1920, and the close of each such fiscal year thereafter, render a true and accurate return of its annual net income in the manner and form to be prescribed by the collector of internal revenue with the approval of the secretary of finance, and containing such facts, data, and information as are appropriate and in the opinion of the collector necessary to determine the correctness of the net income returned and to carry out the provisions of this law. The return shall be sworn to by the president, vice president, or other principal officer, and by the treasurer or assistant treasurer. The return shall be made to the collector or to the treasurer of the Province in which is located the principal office of the corporation, joint-stock company, partnership, joint account (*cuenta en participación*), or association, where are kept its books of account and other data from which the return is prepared, or in the case of a foreign corporation, joint-stock company, partnership, joint account (*cuenta en participación*), or association, to the collector or to the treasurer of the Province in which is located its principal place of business in the Philippine Islands, or, if it have no office of any kind or agency in the Philippine Islands, then to the collector of internal revenue. All such returns shall as received be transmitted forthwith by the officer receiving them to the collector of internal revenue.

(c) In cases wherein receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, or insurance companies, subject to tax imposed by this law, such receivers, trustees, or assignees shall make returns of net income as and for such corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, and insurance companies, in the same manner and form as such organizations are hereinbefore required to make returns; and any tax due on the income as returned by receivers, trustees, or assignees shall be assessed and collected in the same manner as if assessed directly against the organizations of whose businesses or properties they have custody and control.

(d) A corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company, keeping account upon any basis other than that of actual receipts and disbursements, unless such other basis does not clearly reflect its income, may, subject to regulations made by the collector of internal revenue with the approval of the secretary of finance, make its return

upon the basis upon which its accounts are kept, in which case the tax shall be computed upon its income as so returned.

(e) All the provisions of this law relating to the tax required to be deducted and withheld and paid to the internal-revenue officer authorized to receive the same from the income of nonresident alien individuals from sources within the Philippine Islands shall be made applicable to the tax imposed by subdivision (a) of section 10 upon the incomes described in subsection (b) of section 9, obtained by nonresident alien firms, copartnerships, companies, corporations, joint-stock companies, partnerships, and insurance companies, not engaged in business or trade within the Philippine Islands and not having any office or place of business therein.

(f) Likewise, all the provisions of this law relating to the tax required to be deducted and withheld and paid to the officer of the government of the Philippine Islands authorized to receive the same from the income of nonresident alien individuals from sources within the Philippine Islands shall be made applicable to income derived from dividends upon the capital stock or from the net earnings of domestic or other resident corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, and insurance companies by nonresident alien firms, corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, and insurance companies, not engaged in business or trade within the Philippine Islands and not having any office or place of business therein.

ASSESSMENT.

SEC. 14. (a) All assessments shall be made by the collector of internal revenue, and the several corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, and insurance companies shall be notified of the amount for which they are respectively liable on or before the 1st day of June of each year, and said assessment shall be paid on or before the 15th day of June: *Provided*, That every corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, and insurance company, computing taxes upon the income of the fiscal year which it may designate in the manner hereinbefore provided, shall pay the taxes due under its assessment within 105 days after the date upon which it is required to file its list or return of income for assessment; except in cases of refusal or neglect to make such return, and in cases of erroneous, false, or fraudulent returns, in which cases the collector of internal revenue shall, upon the discovery thereof, at any time within three years after said return is made or due, make a return upon information obtained as provided for in this law or by existing law, or require the return made to be cor-

rected and the assessment made by the collector of internal revenue thereon shall be paid by such corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company immediately upon notification of the amount of such assessment; and to the tax due and unpaid after the 15th day of June of any year, or after 105 days from the date on which the return of income is required to be made by the taxpayer, and after 10 days' notice and demand thereof by the collector, there shall be added 5 per cent on the amount and interest at the rate of 1 per cent per month upon the said tax from the time the same becomes due: *Provided*, That upon the examination of any return of income made pursuant to this law, if it shall appear that amounts of tax have been paid in excess of those properly due, the taxpayers shall be permitted to present a claim for refund thereof.

(b) After the assessment shall have been made, as provided in this law, the returns, together with any corrections thereof which may have been made by the collector, shall be filed in the office of the collector of internal revenue and shall constitute public records and be open to inspection as such upon the order of the governor general under rules and regulations to be prescribed by the secretary of finance.

(c) If any of the corporations, joint-stock companies, partnerships, joint accounts (*cuentas en participación*), associations, or insurance companies aforesaid shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, or shall render a false or fraudulent return, such corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company shall be liable to a penalty of not exceeding ₱20,000: *Provided*, That the collector of internal revenue shall have authority to grant a reasonable extension of time in meritorious cases, as he may deem proper.

(d) When a second assessment is made in case of any list, statement, or return, which in the opinion of the collector was false or fraudulent, or contained any understatement or undervaluation, no tax collected under such assessment shall be recovered by any suit unless it is proved that the said list, statement, or return was not false nor fraudulent and did not contain any understatement or undervaluation; but this provision shall not apply to statements or returns made or to be made in good faith regarding annual depreciation of oil or gas wells and mines.

CHAPTER III.—GENERAL ADMINISTRATIVE PROVISIONS.

SEC. 15. The collector of internal revenue shall assess all income taxes. In case of any failure to make and file a return or list within the time prescribed by law or by the collector or other internal-rev-

enue officer, the collector of internal revenue shall add to the tax 50 per cent of its amount, except that, when a return is voluntarily and without notice from the collector or other officer filed after such time, and it is shown that the failure to file it was due to a reasonable cause and not to willful neglect, no such addition shall be made to the tax. In case a false or fraudulent return or list is willfully made, the collector of internal revenue shall add to the tax 100 per cent of its amount. The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the neglect, falsity, or fraud, in which case the amount so added shall be collected in the same manner as the tax.

SEC. 16. It shall be the duty of the collector of internal revenue and every other internal-revenue officer to whom any payment of any taxes is made under the provisions of this law to give to the person making such payment a full written or printed receipt, expressing the amount paid and the particular account for which such payment was made; and whenever such payment is made, such collector or other officer shall, if required, give a separate receipt for each tax paid by any debtor, on account of payments made to or to be made by him to separate creditors in such form that such debtor can conveniently produce the same separately to his several creditors in satisfaction of their respective demands to the amounts specified in such receipts; and such receipts shall be sufficient evidence in favor of such debtor to justify him in withholding the amount herein expressed from his next payment to his creditor; but such creditor may, upon giving to his debtor a full written receipt acknowledging the payment to him of whatever sum may be actually paid, and accepting the amount of tax paid as aforesaid, specifying the same, as a further satisfaction of the debt to that amount, require the surrender to him of such collector's or other officer's receipt.

SEC. 17. Anyone liable to pay the tax, to make a return, or to supply information required under this law, who refuses or neglects to pay such tax, to make such return or to supply such information at the time or times herein specified in each year, shall be liable, except as otherwise specially provided in this law, to a penalty of not less than 40 pesos nor more than 2,000 pesos. Any individual or any officer of any corporation, partnership, joint account (*cuenta en participación*), association, insurance company, or general copartnership (*compañía colectiva*), required by law to make, render, sign, or verify any return or to supply any information, who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this law to be made, shall be guilty of a misdemeanor, and shall be fined not exceeding 4,000 pesos or be imprisoned not exceeding one year, or both, in the discretion of the

court, with the costs of prosecution: *Provided*, That where any tax heretofore due and payable has been duly paid by the taxpayer, it shall not be recollected from any withholding agent required to retain it at its source, nor shall any penalty be imposed or collected in such cases from the taxpayer, or such withholding agent whose duty it was to retain it, for failure to return or pay the same, unless such failure was fraudulent and for the purpose of evading payment.

SEC. 18. The collector or other internal-revenue officer shall require every return to be verified by the oath of the party rendering it. If the collector or other officer has reason to believe that the amount of any income returned is understated, he shall give due notice to the person making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated may increase the same accordingly. Such person may furnish sworn testimony to prove any relevant facts, and, if dissatisfied with the decision of an internal-revenue officer, may appeal to the collector of internal revenue for his decision under such rules of procedure as may be prescribed by regulations.

SEC. 19. All administrative, special, and general provisions of law, including the laws in relation to the assessment, remission, collection, and refund of internal-revenue taxes not heretofore specifically repealed and not inconsistent with the provisions of this law, are hereby extended and made applicable to all of the provisions of this law and to the tax herein imposed.

SEC. 20. Section II of the act of the United States Congress approved October 3, 1913, entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes"; Title I of the act of the United States Congress approved September 8, 1916, entitled "An act to increase the revenue, and for other purposes"; and Title XII of the act of the United States Congress approved October 3, 1917, entitled "An act to provide revenue to defray war expenses, and for other purposes," are hereby superseded, except as herein otherwise provided, and except that they shall remain in force for the assessment and collection of all taxes which have accrued thereunder, and for the imposition and collection of all penalties or forfeitures which have accrued or may accrue in relation to any of such taxes.

SEC. 21. Every corporation, joint-stock company, partnership, joint account (*cuenta en participación*), association, or insurance company subject to the tax herein imposed, when required by the collector of internal revenue, shall render a correct return, duly verified under oath, of its payments of profits or dividends, whether made in cash or its equivalent or in stock, including the names and addresses of members or stockholders, the paid-up capital or the

number of shares owned by each, and the tax years and gains or earnings from which such dividends or profits were derived, in such form as may be prescribed by the collector of internal revenue with the approval of the secretary of finance.

SEC. 22. Every person, corporation, partnership, joint account (cuenta en participación), general copartnership (compañía colectiva), or association, doing business as a broker in any exchange or board of trade or other similar place of business shall, when required by the collector of internal revenue, render a correct return duly verified under oath, under such regulations as the collector of internal revenue, with the approval of the secretary of finance, may prescribe, showing the names of customers for whom such person, corporation, partnership, joint account (cuenta en participación), general copartnership (compañía colectiva), or association has transacted any business, with such details as to the profits, losses, or other information which the collector may require as to each of such customers as will enable the collector of internal revenue to determine whether all income tax due on profits or gains of such customers has been paid.

SEC. 23. (As amended by sec. 9, act No. 2926.) All persons, corporations, partnerships, joint accounts (cuentas en participación), general copartnerships (compañías colectivas), associations, and insurance companies, in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, and employers, making payment to another person, corporation, partnership, joint account (cuenta en participación), general copartnership (compañía colectiva), association, or insurance company of interests, rents, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable gains, profits, and income, other than payments described in sections 21 and 22, of 3,000 pesos or more in any taxable year, or, in the case of such payments made by the Government of the Philippine Islands, the officers or employees of the Government having informations as to such payments and required to make returns in regard thereto are hereby authorized and required to render a true and accurate return to the collector of internal revenue, under such rules and regulations and in such form and manner as may be prescribed by him with the approval of the secretary of finance, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment: *Provided*, That such returns shall be required, regardless of amounts in the case of payments of interest upon bonds and mortgages or deeds of trust or other similar obligations of corporations, joint-stock companies, partnerships, joint ac-

counts (cuentas en participación), associations, and insurance companies, and in the case of collections of items, not payable in the Philippine Islands, of interest upon the bonds of foreign countries and interest from the bonds and dividends from the stock of foreign corporations by persons, corporations, partnerships, joint accounts (cuentas en participación), general copartnerships (compañías colectivas), or associations, undertaking as a matter of business or for profit or otherwise the collection of foreign payments of such interest or dividends by means of coupons or bills of exchange.

The provisions of this section shall apply to the calendar year 1920 and each calendar year thereafter.

SEC. 24. Nothing in this law shall be construed as taxing the income of foreign Governments received from their investments in the Philippine Islands in stocks, bonds, or other domestic securities, or from interest on their deposits in banks in the Philippine Islands.

SEC. 25. (As amended by sec. 10, act No. 2926.) (a) The term "dividends" as used in this law shall be held to mean any distribution made or ordered to be made by a corporation, joint-stock company, association, or insurance company, out of its earnings or profits accrued since March 1, 1913, and payable to its shareholders, whether in cash or in stock of the corporation, joint-stock company, association, or insurance company. Stock dividend shall be considered income to the amount of the earnings or profits distributed.

(b) Any distribution made to the shareholders or members of a corporation, joint-stock company, partnership, joint account (cuenta en participación), association, or insurance company in the year 1920, or subsequent tax years, shall be deemed to have been made from the most recently accumulated profits or surplus, and shall constitute a part of the annual income of the distributee for the year in which received, and shall be taxed to the distributee at the rates prescribed by law for the years in which such profits or surplus were received: *Provided*, That in the case of stock dividends the tax thereon shall be collected in accordance with the rates prescribed by law for the years in which the earnings or profits distributed in the shape of such dividends were accumulated: *Provided further*, That nothing herein shall be construed as taxing any earnings or profits accrued prior to March 1, 1913, but such earnings or profits may be distributed in stock dividends or otherwise, exempt from the tax, after the distribution of earnings and profits accrued since March 1, 1913, has been made.

SEC. 26. Premiums paid on life insurance policies covering the lives of officers, employees, or those financially interested in any trade or business conducted by an individual, partnership, joint account (cuenta en participación), general copartnership (compañía co-

lectiva), corporation, joint-stock company, association, or insurance company, shall not be deducted in computing the net income of these.

SEC. 27. Section 489 of act No. 2711 is hereby amended to read as follows:

(See p. 81.)

SEC. 28. Section 1424 of act No. 2711 is hereby amended by adding a new subsection (*m*), which shall read as follows:

(See p. 8.)

SEC. 29. Section 1588 of act No. 2711 is hereby amended by adding thereto the following paragraph:

(See p. 59.)

SEC. 30. Section 2716 of act No. 2711 is hereby amended to read as follows:

(See p. 68.)

SEC. 31. Section 2731 of act No. 2711 is hereby amended to read as follows:

(See p. 73.)

CHAPTER IV.—GENERAL PROVISIONS.

SEC. 32. If any clause, sentence, paragraph, or part of this act shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy.

SEC. 33. For the purposes of this law the terms "alien" and "foreign Government" shall be deemed to include the citizens and Government of the United States of America, including the political subdivisions thereof: *Provided, however,* That citizens of the United States residing in the Philippine Islands shall not be subject to taxation under this law as to their incomes derived from sources within the United States, if it is shown that the tax thereon has been paid in accordance with the laws of that country.

SEC. 34. This act shall take effect on January 1, 1920.

Approved March 7, 1919.

TOBACCO INSPECTION LAW.

[Third Philippine Legislature, fourth session. A. B. No. 1588.]

[No. 2613.]

An act to improve the methods of production and the quality of tobacco in the Philippines and to develop the export trade therein.

By authority of the United States, be it enacted by the Philippine Legislature, that:

SECTION 1. It is hereby provided that the Bureau of Agriculture, through its agents or inspectors established in the tobacco provinces, shall periodically order, whenever it shall become necessary, the purchase of seeds of well-developed tobacco plants. The seeds purchased as prescribed in this act shall be passed through a cleaning machine, with which each provincial agricultural station shall be provided, and, when cleaned, shall be distributed gratuitously by the inspecting agents of the Bureau of Agriculture proportionately among the tobacco planters.

SEC. 2. It shall be unlawful for any tobacco planter or other person who has in his possession uncured or incompletely cured leaf tobacco, to cure, dry, ferment, or treat same in any other manner, otherwise than in a building or curing shed constructed in accordance with the specifications of the Bureau of Agriculture. This provision shall not apply to those who produce tobacco on a small scale exclusively for their own consumption. During a period of three years after the passage of this act, the director of forestry shall issue to any producer of tobacco a gratuitous license to cut timber of the first group for the construction of warehouses exclusively for the curing of tobacco.

SEC. 3. The director of agriculture is hereby authorized to appoint in any tobacco province the necessary inspectors to carry out the purposes of this act. Said inspectors shall preferably be residents of the province where they are to serve, and persons of great influence and proven knowledge in matters relating to the planting and production of tobacco shall be selected. Their salary shall be fixed in their appointments, but shall not exceed 1,200 pesos per annum each and they shall not be subject to the civil-service rules. Said tobacco inspectors shall receive a per diem not greater than 2 pesos when they are performing inspections outside of the municipality of their official station, together with actual and necessary traveling expenses.

SEC. 4. For the purpose of stimulating the production of the best tobacco among tobacco planters the director of agriculture may classify planters as first-class and second-class planters, and may

grant diplomas to planters or producers for excellence in the production of tobacco.

SEC. 5. The collector of internal revenue is empowered by this act to announce contests for the purpose of discovering some remedy against tobacco pests and may grant from the fund known as the tobacco inspection fund the amount which he considers necessary to reward the discoverer of a remedy which in his opinion proves to be the most efficient of those offered in the contest.

SEC. 6. The collector of internal revenue shall have the power and it shall be his duty—

(a) To establish general and local rules respecting the classification, marking, and packing of tobacco for domestic sale or for exportation to the United States so far as may be necessary to secure leaf tobacco of good quality and to secure its handling under sanitary conditions, and to the end that leaf tobacco be not mixed, packed, and marked as of the same quality when it is not of the same class and origin.

(b) To establish from time to time adequate rules defining the standard and the type of leaf and manufactured tobacco which may be exported to the United States, as well also as the manner in which standard tobacco for export, whether it be leaf tobacco or manufactured tobacco, shall be packed. Before establishing the rules above specified, the collector of internal revenue shall give due notice of the proposed rules or amendments to those interested and shall give them an opportunity to present their objections to such rules or amendments.

(c) To require, whenever it shall be deemed expedient, the inspection of and affixture of inspection labels to tobacco removed from the Province of its origin to another or other Provinces before such removal.

SEC. 7. No leaf tobacco or manufactured tobacco shall be exported from the Philippine Islands to the United States until it shall have been inspected by the collector of internal revenue or his duly authorized representative and found to be standard for export. Collectors of customs shall not permit the exportation of tobacco from the Philippine Islands unless the shipment be in conformity with the requirements set forth in this act. The prohibition contained in this section shall not apply to waste and refuse of tobacco accumulated in the manufacturing process when it is invoiced and marked as such waste and refuse.

SEC. 8. For inspections made in accordance with this act there shall be collected a fee of 30 centavos for each thousand cigars or fraction thereof in the lot offered for inspection; 3 centavos for each thousand cigarettes or fraction thereof in the lot offered for inspection; 25 centavos for each 100 kilograms of leaf tobacco or frac-

tion thereof in the lot offered for inspection; and 1 centavo for each kilogram or fraction thereof of other manufactured tobacco in the lot offered for inspection.

SEC. 9. The collector of internal revenue may appoint inspectors of tobacco for the purpose of making the inspections herein required, or may detail any officer or employee of the bureau to perform such duty. Said inspectors or employees shall likewise be charged with the duty of grading leaf tobacco and shall perform such other duties as may be required of them in the promotion of the Philippine tobacco industry. The collector of internal revenue shall likewise appoint, with the approval of the secretary of finance and justice, not exceeding two agents in the United States for the purpose of promoting the export trade in tobacco with the United States, whose duty it shall be to inspect shipments of tobacco upon or after their arrival in that country when so required, to assist manufacturers of, exporters of, and dealers in tobacco in disseminating information regarding Philippine tobacco, and, at the request of the parties, to act as arbitrators between the exporter in the Philippine Islands and the importer in the United States whenever a dispute arises between them as to the quality, sizes, classes, or shapes shipped or received. When acting as arbitrator as aforesaid the agent shall proceed in accordance with the law governing arbitration and award in the locality where the dispute arises. All agents, inspectors, and employees acting under and by virtue of this act shall be subject to all penal provisions applicable to internal-revenue officers generally.

SEC. 10. Whenever cigars and cigarettes bearing the standard inspection label hereinbefore required shall arrive in the United States in a worm-eaten, musty, or moldy condition, or shall become worm-eaten within 60 days after arrival, the United States agent hereinbefore provided for shall inspect same at the request of the importer or dealer and cause them to be reconditioned, if practicable; if not, and the importer or dealer so desires, they shall be returned to the Philippine Islands. Expenses incurred in reconditioning such cigars in the United States or in transporting them back to the Philippine Islands from the place to which consigned when they left the Philippine Islands shall be borne by the insular government.

SEC. 11. In order to facilitate the free entry of tobacco products from the Philippine Islands into the United States, the collector of internal revenue is authorized to act as stamp agent for the United States Commissioner of Internal Revenue, and to certify to the insular collector of customs that the standard tobacco exported is the growth and product of the Philippine Islands. The insular collector of customs, upon certificate from the collector of internal revenue as aforesaid, shall issue such certificate of origin as may be necessary to insure the speedy admission of the standard tobacco into

the United States free of customs duties. No such certificate shall be issued for tobacco which has not been inspected and labeled as provided in this act.

SEC. 12. The inspection fees collected by virtue of the provisions of this act shall constitute a special fund to be known as the "Tobacco inspection fund," which shall be expended by the collector of internal revenue, upon allotment by the secretary of finance and justice, exclusively for the following purposes:

(a) The payment of the expenses incident to the enforcement of this act, including the salaries of the inspectors and agents.

(b) The payment of expenses incident to the reconditioning and returning to the Philippine Islands of damaged tobacco and the reimbursement of the value of the United States internal-revenue stamps lost thereby.

(c) The advertising of Philippine tobacco products.

(d) The establishment of tobacco warehouses in the Philippine Islands and in the United States at such points as the trade conditions may demand.

(e) The payment of bounties to encourage the production of leaf tobacco of high quality.

SEC. 13. The collector of internal revenue shall be the executive officer charged with the enforcement of the provisions of this act and of the regulations issued in accordance therewith, but it shall be the duty of the director of agriculture, with the approval of the secretary of public instruction, to execute and enforce the provisions hereof referring to the cultivation of tobacco.

SEC. 14. Any person who shall export or attempt to export from the Philippine Islands to the United States any tobacco that does not bear the inspection label hereinbefore required, and any person who shall knowingly violate any other provisions of this act, or any of the rules issued by the collector of internal revenue in accordance with this act, shall be punished by a fine not exceeding 500 pesos or by imprisonment not exceeding six months, or by both penalties, in the discretion of the court.

SEC. 15. There is hereby appropriated out of any funds in the insular treasury not otherwise appropriated the sum of 15,000 pesos, which sum shall be made a part of the tobacco-inspection fund hereinbefore created, and which shall be expended for the purposes and in the manner set forth for the expenditure of said fund.

SEC. 16. This act shall take effect upon its passage: *Provided*, That any penal provisions contained herein for infractions of the provisions of this act or of the regulations prescribed by the collector of internal revenue shall not be enforced until the 1st day of July, 1916.

Enacted February 4, 1916.

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